United Nations A/67/866

General Assembly

Distr.: General
17 May 2013
English
Original: Spanish

Sixty-seventh session
Agenda items 18 (a), 20, 24, 25 (b) and 42

Macroeconomic policy questions: international trade and development

Sustainable development

Eradication of poverty and other development issues

Operational activities for development: South-South cooperation

The situation in Central America: progress in fashioning a region of peace, freedom, democracy and development

Letter dated 15 May 2013 from the Permanent Representative of Nicaragua to the United Nations addressed to the Secretary-General

With a view to continuing to provide you with information concerning steps taken by the Government of Reconciliation and National Unity of the Republic of Nicaragua to build the interoceanic Grand Canal of Nicaragua, I have the honour to inform you that on 3 July 2012, the National Assembly of Nicaragua adopted Law No. 800, "Law on the legal regime of the Grand Interoceanic Canal of Nicaragua and the establishment of the Grand Interoceanic Canal Authority of Nicaragua", which sets out the guidelines for completing the Grand Canal of Nicaragua and the characteristics, objectives and powers of the Grand Interoceanic Canal Authority of Nicaragua.

As a result of the work carried out by the company HK Nicaragua Canal Development Investment Co. Ltd, in coordination with the Grand Interoceanic Canal Authority of Nicaragua, it has been decided, for technical reasons, that the Grand Canal of Nicaragua will not be built following the route along the San Juan River; instead, another route located in the northern part of the South Atlantic Autonomous Region will be used. The Government of Nicaragua will disclose the precise location of that route at the appropriate time.

I should be grateful if you would have this letter circulated as a document of the General Assembly under agenda items 18 (a), 20, 24, 25 (b) and 42.

(*Signed*) María **Rubiales de Chamorro**
Vice-Minister for Foreign Affairs
Permanent Representative of Nicaragua

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United Nations A/67/867

General Assembly

Distr.: General
17 May 2013

Original: English

Sixty-seventh session
Agenda item 136
Joint Inspection Unit

Financing for humanitarian operations in the United Nations system

Note by the Secretary-General

The Secretary-General has the honour to transmit to the members of the General Assembly the report of the Joint Inspection Unit entitled, "Financing for humanitarian operat ns in the United Nations system" (JIU/REP/2012/11).

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FINANCING FOR HUMANITARIAN OPERATIONS IN THE UNITED NATIONS SYSTEM

Prepared by

Tadanori Inomata

Joint Inspection Unit

Geneva 2012

Executive Summary

Financing for humanitarian operations in the United Nations system JIU/REP/2012/11

This review covers the entire universe of funding mechanisms and sources of humanitarian operations within the United Nations system, comparing or linking their objectives so as to close gaps and avoid duplication. Its key recommendations aim at providing a governance and strategic planning framework for financing humanitarian operations in the United Nations system organizations, so as to improve efficiency and accountability of humanitarian financing.

The review found that the environment and context of humanitarian financing has been evolving in recent years. It identifies a number of salient trends, such as a significant increase in the share of humanitarian assistance in total ODA; a concentration of ODA and humanitarian assistance in countries in fragile situations and/or disaster-prone; growing resources for prevention and preparedness activities, although on a much smaller scale; increasing concern about attracting money to finance not only life-saving and protection, but also early recovery and recovery activities for affected populations; increase in humanitarian financing instruments; reduction in earmarking through the introduction of pooled funding mechanisms; emergence of alternative appeal channels outside of the United Nations humanitarian appeal processes.

A number of key humanitarian reforms have taken place since the Indian Ocean tsunami and the Darfur crises, taking into account important lessons learned and, to a lesser extent, the results of critical evaluations and audits. They include the Humanitarian Reform agenda put forward by the Emergency Relief Coordinator in 2005; the most recent IASC Transformative Agenda; the Good Humanitarian Donorship (GHD) initiative and the development of the Common Humanitarian Fund (CHF) by a number of key donors. Several General Assembly resolutions have also aimed at strengthening the humanitarian system and its financing. Two key humanitarian reform elements critical for improving the effectiveness of humanitarian financing are the expansion of the Central Emergency Response Fund (CERF) into a major system-wide quick-funding instrument, and the cluster approach.

The review identified a number of good practices which have helped improve the speed, predictability, planning and efficiency of humanitarian financing, such as CERF, at the global level, and the Emergency Response Funds (ERFs) and CHFs at the country level. Furthermore, a number of agencies have developed their own effective agency-specific emergency facilities to jumpstart emergency response, while waiting for CERF and/or donor funding to come in. The introduction of weather-indexed insurance schemes by some agencies (WFP and IFAD) also shows great potential. The Inspector noted best practices to mitigate the negative impact of earmarked financing in some countries, such as Sudan, where donors have refrained from tightly earmarking their contributions to multi-donor funds,

such as CHFs and ERFs, in return for their participation in the elaboration of overall humanitarian plans and specific projects.

However, the current United Nations humanitarian system continues to be characterized by the lack of an intergovernmental mechanism to govern a strategic management and planning framework for humanitarian response and risk reduction. Competition for financing, disparate fundraising and fragmented management of existing financial instruments risk adversely affecting the mobilization and allocation of evidence-based resources for humanitarian operations, and the current financing system is handicapped by the absence of an intergovernmental support body for system-wide coordination, reflective of the collective will of Member States.

Furthermore, while there are a number of good practices that show potential, they have yet to be adopted on a broader and more consistent basis.

As a consequence, basic humanitarian financing needs are only partly met, and in an inconsistent and unpredictable way. The application of commonly agreed evidence-based needs assessment has been slow. The dichotomy between humanitarian assistance and development aid has left other priorities, such as capacity-building and the restoration of livelihoods in early recovery, unaddressed or underfunded by development aid. The Inspector points to the need to apply a more holistic programming approach that covers the whole range of United Nations system assistance at the country level so as to avoid such financing gaps. The Inspector found that good examples in this regard were the increasing number of Integrated Strategic Frameworks (ISFs) in integrated peacekeeping missions as well as the Sudan Workplan which combines humanitarian assistance with development assistance.

The review also identified an increase in the number of financing instruments. Positive as this is, these instruments are not always coordinated and co-managed, thus increasing the risk of duplication and inefficiencies. The Inspector found that the various multi-donor funding mechanisms in addition to traditional trust fund mechanisms to address different objectives — from relief to recovery, development and reconstruction — have at times resulted in unequal and duplicated allocation of resources among sectors. The existence of different Multi-Donor Trust Funds (MDTFs) and pooled fund mechanisms in one country was found to be a problem. Haiti and Sudan case studies revealed that apart from funding provided through a growing number of United Nations MDTFs managed by different fund administrators, there are also World Bank-administered MDTFs as well as peace and stabilization funds managed by the United Nations Department of Political Affairs (DPA). In the Inspector's view, greater effort is needed to jointly plan, manage and report on these different funding instruments.

The portfolio review undertaken found that most United Nations system organizations engaged in humanitarian financing activities have distinctive mandates; varied funding procedures and modalities; vastly different operating procedures, and there is wide disparity in institutional policies and procedures. The existing fund-tracking system does not provide an accurate holistic picture of all the financing received. The Inspector found that there is scope for the development of common humanitarian databases at the field level. Furthermore, the monitoring, evaluation and reporting practices of the financing instruments present a mixed picture of accountability among the agencies; reporting is often done piece-meal, not in a country-wide results-based manner; and there have not been evaluations to assess the pooled-funding mechanisms collectively. Finally, key recommendations from previous audits and evaluations, such as the report on the tsunami by the United Nations Panel of External Auditors (PEA), have yet to be implemented.

The Inspector concluded that there is a need for more predictable funding for core humanitarian coordination through the regular budget, in particular for OCHA coordination services; humanitarian financing must be planned more strategically; short-term financing must be better linked with longer-term financing; the negative impacts of earmarking must be mitigated; and it is essential to define common procedures for humanitarian assistance and recovery conferences.

The report contains eight key strategic recommendations aimed at providing an improved governance and strategic planning framework for financing humanitarian operations in the United Nations system organization.

Six recommendations are addressed to the Secretary-General to (a) ensure that the CAP process is developed as an instrument to provide a strategic financial planning framework, to enable all humanitarian actors with common evidence based needs assessments to mobilize and deliver adequate resources on a timely, predictable and sustainable basis and meet holistic needs of affected countries, particularly disaster-prone countries and countries in fragile situations (recommendation 1); (b) to increase reporting, transparency and accountability on the use of military assets provided as a last resort in support of affected populations (recommendation 2); (c) to establish a systematic and impartial process and procedures to convene and organize relief and reconstruction conferences (recommendation 4); (d) to establish system-wide guidelines on the establishment, replenishment and provision of emergency and recovery funds and reserves (recommendation 5); (e) promote the development of harmonized humanitarian portfolio databases applicable at the country level (recommendation 7); and (f) to support the establishment of joint MDTF management units in each country (recommendation 8).

Recommendations for consideration by the General Assembly

To help prevent or mitigate the negative impact of earmarked resources, the General Assembly should mandate the Secretary-General, with the support of the IASC, to present a proposal on a set of good humanitarian funding principles through advocating soft earmarking and a participatory approach, taking into account the good practices in the inclusive programme-based management and governance arrangements of the CHFs at the country level and the experience made through the Good Humanitarian Donorship initiative (recommendation 3).

To enhance the effectiveness of humanitarian action, the General Assembly, on the basis of a report by the Secretary-General, should adopt a capacity-building policy to assist disaster-affected countries in developing national disaster insurance schemes, taking into account pioneering work initiated by IDB, IFAD, PAHO, UNDP, WFP and WHO (recommendation 6).

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Abbreviations

ACABQ	Advisory Committee on Administrative and Budgetary Questions
ACC	Administrative Committee on Coordination
ADB	Asian Development Bank
BoA	Board of Auditors
BCPR	Bureau for Crisis Prevention and Recovery (of UNDP)
CAP	Consolidated Appeals Process
CASPAR	Coordinated Assessment Pool and Roster (of IASC)
CCA	Common Country Assessment
CEB	United Nations system Chief Executives Board for Coordination (formerly ACC)
CERF	Central Emergency Response Fund
CHAP	Common Humanitarian Action Plan
CHF	Common Humanitarian Fund
DAC	Development Assistance Committee (of the OECD)
DDR	Disarmament, Demobilization and Reintegration
DHA	Department of Humanitarian Affairs
DFS	Department of Field Support
DOCO	United Nations Development Operations Coordination Office
DPA	Department of Political Affairs
DPKO	Department of Peacekeeping Operations
DSCAF	Direct Support Cost Advance Facility
DSRSG	Deputy Special Representative of the Secretary-General
ECOSOC	Economic and Social Council
EPF	Emergency Programme Fund (of UNICEF)
ERC	Emergency Relief Coordinator
ERF	Emergency Response Fund or Expanded Humanitarian Response Fund
ERRF	Emergency Relief Response Fund
ETC	Emergency Telecommunications Cluster
FAO	Food and Agriculture Organization of the United Nations

FTS	OCHA Financial Tracking Service
GHA	Global Humanitarian Assistance
GHD	Good Humanitarian Donorship
HC	Humanitarian Coordinator
HCT	Humanitarian Country Team
HFA	Hyogo Framework for Action
HIC	Humanitarian Information Centres
HLCM	High-Level Committee on Management
IAEA	International Atomic Energy Agency
IAET	Inter-Agency Emergency Telecommunications
IASC	Inter-Agency Standing Committee
ICRC	International Committee of the Red Cross
IDB	Inter-American Development Bank
IDNDR	United Nations programme for the International Decade for Natural Disaster Reduction (1990-1999)
IDP	Internally Displaced Persons
IFAD	International Fund for Agricultural Development
IFI	International Finance Institutions
IFRC	International Federation of Red Cross and Red Crescent Societies
ILO	International Labour Organization
IMPP	Integrated Mission Planning Process
INCAF	International Network on Conflict and Fragility (subsidiary body of OECD DAC)
IOM	International Organization for Migration
IPSAS	International Public Sector Accounting Standards
IRF	Immediate Response Facility
IRP	International Recovery Platform
ISDR	United Nations International Strategy for Disaster Reduction
ISF	Integrated Strategic Framework
ISP	Integrated Strategic Plan
ITU	International Telecommunication Union

JIU	Joint Inspection Unit
JLC	United Nations Joint Logistics Centre
MCDA	Guidelines on the Use of military and civil defence assets to support United Nations humanitarian activities in complex emergencies
MDTF	Multi-Donor Trust Fund
MINUSTAH	United Nations Stabilization Mission in Haiti
MPTF	Multi-Partner Trust Fund
MSF	Médecins Sans Frontières
NATF	Needs Assessment Task Force (of the IASC)
NGO	Non-Governmental Organization
OCHA	United Nations Office for the Coordination of Humanitarian Affairs
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OIOS	United Nations Office of Internal Oversight Services
PAHO	Pan American Health Organization
PCNA	Post-Conflict Needs Assessment
PDNA/RF	Post-Disaster Needs Assessment and Recovery Framework
PEA	United Nations Panel of External Auditors
PKO	Peacekeeping Operations
PRF	Peacebuilding and Recovery Facility
QIPs	Quick Impact Projects
RAF	Rapid Action Fund (of ILO)
RC	Resident Coordinator
RR	Rapid Response (CERF grant window)
RRF	Recovery and Reconciliation Fund
SFERA	Special Fund for Emergency Relief Activities (of FAO)
SRSG	Special Representative of the Secretary-General
SSR	Security-Sector Reform
SUMA	Humanitarian Supply Management System (of PAHO)

UFE	Underfunded Emergency (CERF grant window)
UNAMID	African Union / United Nations Hybrid Operation in Darfur
UN-CMCoord	United Nations Humanitarian Civil-Military Coordination
UNCT	United Nations Country Team
UNDAF	United Nations Development Assistance Framework
UNDG	United Nations Development Group
UNDP	United Nations Development Programme
UNDRO	United Nations Disaster Relief Office
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNFICYP	United Nations Peacekeeping Force in Cyprus
UN-HABITAT	United Nations Human Settlements Programme
UNHAS	United Nations Humanitarian Air Service
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNISDR	International Secretariat for the United Nations Office for Disaster Risk Reduction
UNMIS	United Nations Mission in the Sudan
UNOPS	United Nations Office for Project Services
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
WASH	Water, Sanitation and Hygiene
WCF	Working Capital Fund Facility (of WFP)
WFP	World Food Programme
WHO	World Health Organization
WRMF	Weather Risk Management Facility

I. Introduction

1. The Joint Inspection Unit (JIU) included this theme in its programme of work for 2010 on the suggestion of the Office of Internal Oversight Services (OIOS).

2. The financing and strategic planning of operational activities is one of the major concerns of the JIU. Some relevant recent reports have dealt with the impact of extrabudgetary contributions on programme delivery;[1] policies and procedures for the administration of trust funds;[2] and coordination and cooperation of humanitarian operations within the United Nations system.[3] The present report takes into account these studies.

A. Objective and scope

3. The objective of the present review is to identify the entire universe of funding mechanisms and sources of humanitarian operations within the United Nations system, and compare or link their objectives so as to close gaps and avoid duplications. Its goal is to provide United Nations system organizations with a coherent and accountable governance and strategic planning framework for the financing of humanitarian operations in order to enhance the system's capacity to deliver relevant and adequate assistance to the populations of disaster-affected countries on an assured basis.

4. The report also addresses:

(a) The efficiency, effectiveness, predictability, timeliness and accountability of humanitarian financing provided through the United Nations system, with a view to identifying opportunities for streamlining current policies, mechanisms and practices;

(b) The identification and evaluation of best practices in the area of humanitarian financing by both agencies and Member States, and how to capitalize on good practices.

5. The scope of the review covers the financing of humanitarian action or operations provided through the United Nations system.

6. Humanitarian operations are not confined to those undertaken during crises and disasters, but extend over a longer period. The Inspector recalls that the JIU had given the following definition: "humanitarian assistance is provided to victims of natural and man-made disasters, including complex emergencies, on a short-term and long-term basis".[4] For the purpose of this review, the Inspector also bears in mind the following definition adopted by the 2003 International Meeting on Good Humanitarian Donorship (IMGHD):

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[1] JIU/REP/2007/1.

[2] JIU/REP/2010/7.

[3] JIU/REP/95/9, JIU/REP/97/3, JIU/REP/2006/5, JIU/NOTE/2008/3 and JIU/REP/2009/9.

[4] Francesco Mezzalama, "Execution of humanitarian assistance programmes through implementing partners", JIU/REP/97/3, para. 8.

"to save lives, alleviate suffering and maintain human dignity during and in the aftermath of man-made crises and natural disasters, as well as to prevent and strengthen preparedness for the occurrence of such situations."[5]

7. The above definition implies that humanitarian financing not only covers immediate life-saving operations, but also early recovery activities to restore and stabilize livelihoods. The Inspector took into account this definition in his review. This approach is consistent with the definitions of "humanitarian aid" and "emergencies" adopted respectively by the Organisation for Economic Co-operation and Development (OECD)[6] and the World Food Programme (WFP).[7]

B. Methodology and limitations

8. The present JIU study was undertaken between May 2010 and May 2012. In accordance with JIU internal standards and guidelines and its internal working procedures, a range of methods were employed for the preparation of this report, including a preliminary desk review, questionnaires, interviews, field visits and in-depth financial analysis. Detailed questionnaires were sent to relevant participating organizations. On the basis of the responses received, the Inspector conducted interviews with officials of the participating organizations and sought the views of a number of other international organizations, non-governmental organizations (NGOs) and representatives and government officials of Member States who deal with disaster response and reduction, including national audit authorities. The Inspector interviewed officials from relevant humanitarian organizations and donors in Rome, Geneva, New York, Brussels, Paris, Cairo, London, Oslo, Tokyo, Kobe and Bangkok. In addition to desk reviews, case studies were conducted in Haiti and Sudan, involving field visits[8] to Khartoum, Port-au Prince and Léogâne (Haiti). Background information and data collected during the review is available on the JIU website.[9]

9. In July 2011, the Inspector convened a brainstorming session in Geneva with the participation of experts and specialists from Member States and organizations within the United Nations system to test the preliminary findings and conclusions.

10. While the timing of the JIU study coincided with the five-year evaluation of the Central Emergency Response Fund (CERF) and with the Office for the Coordination of Humanitarian Affairs' (OCHA) evaluation of the Common Humanitarian Funds (CHFs) in Central African Republic (CAR), Democratic Republic of the Congo (DRC) and Sudan, the Inspector sought to avoid duplication with these evaluations, and took their findings and conclusions into account for this

[5] For more details, see Good Humanitarian Donorship, "Principles and good practice of humanitarian donorship", (June 2003), available at http://www.goodhumanitariandonorship.org/gns/principles-good-practice-ghd/overview.aspx.

[6] DCD/DAC (2010)40/REV1, 12 November 2010. See also DAC glossary in http://www.oecd.org/document/4/0,3746,en_2649_34447_46181892_1_1_1_1,00.html.

[7] WFP Executive Board decision WFP/2005/EB.1/2 of 2 February 2005 and WFP, Definition of emergencies, WFP/EB.1/2005/4-A/Rev.1, para. 22, http://documents.wfp.org/stellent/groups/public/documents/eb/wfp043676.pdf.

[8] Information collected in Sudan was limited by the fact that the inspector could only go to Khartoum, and was unable to go to Darfur and South Sudan.

[9] http://www.unjiu.org.

review. Comments from participating organizations on the draft report have been sought and duly taken into account in finalizing the report.

11. The review was also limited by data availability. Since there was only preliminary and partial data available from the OECD Development Assistance Committee (DAC) for 2010, the Inspector used data from OCHA's Financial Tracking Service (FTS) for that period, although aware that the information may be flawed as FTS relies primarily on voluntary reporting from humanitarian donors, agencies and organizations.

12. In accordance with article 11.2 of the JIU statute, this report was finalized after consultation among JIU inspectors, both prior to and after obtaining comments from the participating organizations, so as to test its conclusions and recommendations against the collective wisdom of the Unit.

13. To facilitate the handling of the report, the implementation of its recommendations, and the monitoring thereof, annex I contains a table indicating whether the report is submitted to the organizations concerned for action or for information. The table identifies the recommendations relevant for each organization, specifying whether they require decision by the organization's legislative or governing body, or can be acted upon by the organization's executive head.

14. The Inspector expresses his appreciation to all those who assisted in the preparation of this report, particularly those who participated in the interviews and so willingly shared their knowledge and expertise.

15. The Inspector also expresses his appreciation to the Government of Norway, which made a generous contribution to the Unit to support this review, thus supplementing the ever-scarce resources available to the Unit to undertake reviews of system-wide issues.

II. Trajectory of humanitarian financing in the United Nations

A. Coordination of humanitarian financing

The central role of the United Nations

16. The first General Assembly resolutions calling for United Nations' humanitarian assistance for victims of natural disasters are resolutions 2034 (XX) of 7 December 1965 and 2435 (XXIII) of 19 December 1968, adopted on the basis of the work done by the Economic and Social Council. They aimed at providing international assistance encompassing not only emergency relief, but also rehabilitation, reconstruction, and disaster prevention and mitigation in disaster-affected countries.

17. Since then, in response to a series of major natural disasters, particularly those in the early 1970s, the General Assembly, in its resolution 2816 (XXVI) of 14 December 1971, established the United Nations Disaster Relief Office (UNDRO) and the post of Disaster Relief Coordinator in 1971 to assist in providing broad advice to governments on early-warning systems, pre-disaster planning and contingency arrangements capable of coping immediately with natural disaster situations. UNDRO was meant to be the United Nations system focal point for

disaster relief and preparedness. In response to natural disaster emergencies or severe calamities, it issued ad hoc calls for benevolent international assistance. The United Nations programme for the International Decade for Natural Disaster Reduction (IDNDR) (1990-1999), entirely funded by voluntary contributions, was closely associated with UNDRO.

18. Until 1991, UNDRO was the most important institutional framework providing coordination within the United Nations system. However, various other ad hoc arrangements were made in response to major disasters and emergencies, including the Office for Emergency Operations in Ethiopia, a consortium under the aegis of the United Nations. These arrangements reflected the need for the United Nations system to develop a more coherent coordination mechanism among the agencies concerned.

19. Humanitarian financing has experienced major changes over recent years to ensure more timely and flexible funding in relation to humanitarian needs both in the short and the long term. In 1991, in the context of a growing number of complex emergencies, the General Assembly adopted the landmark resolution 46/182 calling for the United Nations to play "a central and unique role" in providing leadership and coordinating the efforts of the international community to support affected countries. The annex to the resolution contains an agreed set of principles as well as the institutional framework and mechanism for strengthening the coordination of emergency humanitarian assistance of the United Nations system, which covers guiding humanitarian principles, prevention, preparedness, and stand-by capacity — including contingency funding arrangements and rapid response measures.

20. The resolution also defines the responsibilities of the Emergency Relief Coordinator (ERC), provides for the establishment of the Inter-Agency Standing Committee (IASC), and constituted the consolidated appeals process (CAP) and CERF, a cash-flow mechanism to ensure rapid and coordinated response by the United Nations system organizations. Both the ERC and the Resident Coordinator/Humanitarian Coordinator are essentially responsible for coordinating emergency assistance by concerned organizations, and promoting a speedy and smooth transition from relief to rehabilitation and development, in collaboration with them. In 1992, UNDRO was subsumed into the Department of Humanitarian Affairs (DHA), the predecessor of OCHA. The Director of the International Secretariat for the United Nations Office for Disaster Risk Reduction (UNISDR), the successor to the IDNDR secretariat, was also placed under the responsibility of the ERC, the Under-Secretary-General for Humanitarian Affairs.

Proliferation of humanitarian services

21. The activities of these bodies as well as the operational organizations were reliant on traditional funding essentially based on voluntary contributions. The financial system in place was donor-driven, reactive, under-funded and characterized by a lack of coordination. Underlying this situation was the proliferation of humanitarian services within the United Nations system. As provided for in resolution 46/182, United Nations system organizations and entities were to continue to respond to requests for emergency assistance within their respective mandates. Most humanitarian and developmental organizations have established and strengthened emergency management structures. Their respective governing bodies are competent to examine and establish their reserve and other

contingency funding arrangements to strengthen their operational capacities for rapid and coordinated response to emergencies. These capacities included sector-specific emergency assessment and support for field-based activities with built-in internal linkages between immediate emergency humanitarian operations and socio-economic recovery efforts.

22. In contrast, the role of ERC financing is limited to catalytic contingency funding for the response of other organizations to emergencies; it does not extend to socio-economic recovery efforts.

Use of civil and military defence assets

23. Moreover, since the early 1990s, it has been quite common to use military assets in cases of natural disasters. The Oslo Guidelines on the Use of foreign military and civil defence assets in disaster relief was originally developed in 1994 and revised in 2007; the Guidelines on the Use of military and civil defence assets to support United Nations humanitarian activities in complex emergencies (MCDA Guidelines) were adopted in 2003. The adoption of these guidelines facilitated saw the unprecedented deployment in 2005 of military forces and assets to support the humanitarian response to the Indian Ocean tsunami, as well as other unavoidable and exceptional deployments of military assets to protect civilians, and enable and promote humanitarian assistance in complex emergency situations.

24. While emphasizing the fundamentally civilian character of humanitarian assistance in its resolution 66/119, the General Assembly recognized that military capacity and assets may have to be used to support the implementation of humanitarian assistance.

25. Since 1999, the Security Council has developed a comprehensive framework to mainstream the protection of civilians in the conception of peace missions and pursue more effective protection, in particular through its resolutions 1265 (1999) and 1894 (2009), and its aide-memoire on the Protection of civilians in armed conflict (see S/PRST/2009/1, annex). The Security Council established an informal expert group on the protection of civilians, in which the ERC and humanitarian agencies regularly feed their views into the formulation of mission mandates whenever a mission is launched to ensure that the protection of civilians is provided for in the humanitarian assistance.

26. Almost all peacekeeping missions have mandates to provide protection for civilians: UNFICYP and MINUSTAH have explicit mandates to provide humanitarian assistance. Their contingents work closely with various humanitarian clusters, including those on protection and logistics in the field. In complex emergency situations, contingents and civil affairs officers may become engaged in the protection of vulnerable populations, such as women and children; stabilizing security conditions; addressing gender-based violence; establishing a protective environment, including promoting legal protection; implementation of quick-impact projects (QIPs) for confidence building with the local population; mine action activities; facilitation and provision of means conducive to advocacy and delivery of humanitarian assistance; return of IDPs and refugees; supporting national institutions on disarmament, demobilization and reintegration (DDR) and security-sector reform (SSR).

27. The use of the engineering and logistical capacities of the contingents is also inevitable where such capacity is not available locally. The United Nations engages a significant part of its peacekeeping operational costs and peacekeeping civilian posts in civilian protection (see Chapter VI. below for analysis), but is yet to establish a modus operandi to effectively and proactively draw on these military assets to carry out humanitarian operations, while respecting the civil-military coordination principles and without creating a firewall between military and civilian operators.

28. Thus, the diversification and specialization of humanitarian and other related services have made the central coordinating function of the United Nations humanitarian system increasingly challenging.

B. Financing humanitarian operations

29. Funding of the United Nations' core coordinating function has been marginally assured by the United Nations regular budget. With respect to funding of UNDRO and its successors, DHA and OCHA, which are managed by the ERC, their core activity costs are borne by the regular budget and unearmarked extrabudgetary contributions. Since 1990, the United Nations has mobilized regular budget resources for human rights and humanitarian affairs growing from $83.1 million (i.e., 3.9 per cent of the total United Nations budget) in the 1990-91 biennium to $326.6 million (i.e. 6.3 per cent) in the biennium 2010-11. However, these resources only represent less that 2 per cent of the total resources raised for the regular and extrabudgetary activities of the United Nations family in the humanitarian sector.[10]

30. Funding and commitments made through the CAP and the Flash Appeal process increased from $2.1 billion in 1992[11] to $7.9 billion in 2010.[12] However, appeals were made on an emergency-by-emergency basis. Responses by donors, motivated by geopolitical and bilateral considerations, varied by affected country, sector and emergency phase. Although the appeals reflected the bottom-up process based on strategic needs assessments and planning made by the Humanitarian Country Team/United Nations Country Team (HCT/UNCT) by cluster in the field, agencies have developed individual appeal packages for fundraising purposes to provide visibility to donors. So-called "projectization" of various projects by cluster and sector makes it difficult to integrate multisectoral objectives and programming across the sectors.

31. Following criticism about the humanitarian community's performance in the Rwanda crisis,[13] for example, several initiatives were launched to improve the effectiveness and accountability of humanitarian action. In June 2003, the main humanitarian donors endorsed the Principles and good practice of humanitarian donorship

[10] JIU, *Background Materials on the 2012 Review of Humanitarian Financing, 2013, Annex III* in http://www.unjiu.org/, hereafter referred to as "Background Materials".

[11] OCHA, *OCHA on Message — Consolidated Appeals Process*, June 2010.

[12] See fts.unocha.org.

[13] See S/1999/1257, *Report of the independent inquiry into the actions of the United Nations during the 1994 genocide in Rwanda*, 15 December 1999, p. 3.

(Good Humanitarian Donorship (GHD)),[14] which reaffirmed that humanitarian action should be guided by the principles of humanity, impartiality, neutrality and independence, and outlined the general principles to guide humanitarian funding, notably, "strive to ensure flexible and timely funding [...] in proportion to needs and on the basis of needs assessments."[15]

32. In the wake of the Indian Ocean tsunami of December 2004, the General Assembly, in its resolution 59/279 of 19 January 2005, emphasized the need to focus beyond emergency relief to support medium- and long-term rehabilitation, reconstruction and risk reduction efforts, and promote cooperation among the many varied stakeholders and humanitarian agencies and organizations. The World Conference on Disaster Reduction, held in Kobe, Japan, in January 2005, adopted the Hyogo Framework for Action 2005-2015: Building the resilience of nations and communities to disasters (HFA), an intergovernmental consensus on the modalities for integrating all phases of disaster management and disaster risk reduction, with the increased engagement of and synergy with development mechanisms and actors for disaster risk reduction and response.

33. In a comprehensive review of the United Nations humanitarian system's experience in its emergency response and disaster risk reduction on the occasion of the Indian Ocean tsunami disaster,[16] JIU shed light on the structural shortcomings of the global humanitarian system, and issued recommendations calling for integrated governance and a planning and management framework for the financing and administration of trust funds and extrabudgetary funds-in-trust and their support costs.

34. The General Assembly welcomed and noted the Unit's report and other reports as relevant efforts at identifying and evaluating lessons learned from the tsunami experience to improve coordination and effectiveness of disaster response and post-disaster recovery.[17]

35. Further to the implementation of the GHD principles, and in the light of its experience from the response to the Indian Ocean tsunami and other crises, such as Darfur, the United Nations system has since carried out a number of reform measures, at the initiative of the ERC who engaged IASC and its members in the evaluation and reform process. The Humanitarian Response Review, an independent review commissioned by the ERC in 2005,[18] submitted recommendations on the adequacy, timeliness and flexibility of humanitarian financing for existing and new emergencies, including the problems of tightly earmarked funding and "forgotten emergencies or neglected needs". Based on the recommendations of the review, the

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[14] In June 2003, the principles were endorsed by Germany, Australia, Belgium, Canada, the European Commission, Denmark, the United States, Finland, France, Ireland, Japan, Luxemburg, Norway, the Netherlands, the United Kingdom, Sweden and Switzerland. There are currently 37 members of the Good Humanitarian Donorship group.

[15] See http://www.goodhumanitariandonorship.org/gns/principles-good-practice-ghd/overview.aspx, paras. 5 and 6.

[16] JIU, *Towards a United Nations Humanitarian Assistance Programme for Disaster Response and Reduction: Lessons learned from the Indian Ocean Tsunami disaster* (JIU/REP/2006/5), in A/61/699-E/2007/8, 2006.

[17] General Assembly resolution 62/91, operative para. 3 and footnote 6.

[18] C. Adinolfi et al., Humanitarian Response Review, An independent report commissioned by the United Nations Emergency Relief Coordinator and Under-Secretary-General for Humanitarian Affairs (August 2005).

ERC initiated the "humanitarian reform" to improve the effectiveness of humanitarian response, through greater predictability, accountability and partnership. The reform comprised four main pillars:[19] strengthened coordination through the Cluster Approach; stronger humanitarian leadership among coordinators; adequate, timely, flexible and predictable humanitarian financing; and strengthened partnerships between United Nations and non-United Nations actors.

36. In this context, the General Assembly, in its resolution 60/124 of December 2005, upgraded the Central Emergency Revolving Fund to the Central Emergency Response Fund (CERF), adding a grant element with an annual target ceiling of $450 million, based on voluntary contributions to the $50 million target level of the original loan facility component. If strategically managed, CERF, which is based on unearmarked, i.e. paid-in general contributions from States, NGOs and private philanthropic donors, may be capable of funding any type of unmet needs of time-critical emergencies, depending on the specific context, [20] and filling/complementing gaps in existing funding mechanisms, thus enhancing the coordinating function of the ERC.

37. The humanitarian reform also led to the establishment of Emergency Response Funds (ERFs) and CHFs in the field, based on voluntary contributions from governments and private donors. These are pooled funds (i.e. Multi-Donor Trust Funds (MDTFs)) to which multiple donors in the field contribute. Humanitarian coordinators (HCs) act as programme managers of CHFs, which are administered by the United Nations Development Programme (UNDP). CHFs and ERFs are managed by OCHA country offices on behalf of HCs, who act as the custodian of the ERFs.

38. At that level, there are various funds raised through appeals outside the CAP process. There are also various multi-donor funding mechanisms to address different objectives, ranging from relief to recovery, disaster risk reduction, reconstruction and development, thus resulting in unequal and duplicated allocation of resources among sectors. Recovery and reconstruction pertain to other MDTF mechanisms under the purview of different processes for post-conflict and post-disaster recovery, Common Country Assessments and the United Nations Development Assistance Framework (CCA/UNDAF) for development and peacemaking and building as well as investment in the recovery and reconstruction of national economy. Thus, agencies play multiple roles as administrators of their funding mechanisms, as well as implementers of both humanitarian operations and the transition to reconstruction, which are closely related to each other.

39. The existence of different MDTF regimes and pooled-fund mechanisms in a country is in itself a problem. In Haiti, Sudan, and elsewhere, apart from the United Nations MDTFs, administered by the Multi-Partner Trust Fund (MPTF) office, there are MDTFs administered by the World Bank, as well as peace and stabilization funds managed by the United Nations Department of Political Affairs (DPA). Such a phenomenon seems to be germane to countries in complex emergency situations, often affected by major disasters, where United Nations integrated missions have been deployed and whose integrated strategic frameworks (ISFs) are developed in

[19] OCHA, The four pillars of humanitarian reform, available at http://www.terzomondo.org/library/essentials/The_humanitarian_reform-Four_Pillars.pdf.

[20] See OCHA, "Central Emergency Response Fund life-saving criteria", January 2010, available at: http://ochaonline.un.org/cerf/HowtoApply/CERFGuidance/tabid/5818/language/en-US/Default.aspx.

accordance with the Secretary-General's Guidelines on the Integrated Mission Planning Process (IMPP)[21] which involves each mission and all UNCT members concerned. The ISFs support the efforts of the affected countries in restoring peace and security, early recovery initiatives, as well as recovery and reconstruction work, compounded by a series of coordinating challenges, with multi-donor pooled trust funds.

40. These funds have attracted contributions from a broader base of donors, notably non-DAC donors, and permitted more adequate funding in the field. However, it is yet to be clarified how the government and communities in the host country can properly exercise ownership of the planning, coordination and management of the different financing mechanisms in conjunction with the participation of these funds in humanitarian work in clusters and sectors in the country. **The Inspector is of the view that their task often remains ineffective in the absence of a joint integrated strategic system-wide planning framework in the affected countries, despite a fundraising planning mechanism offered by CAP as a guide to donors.**

III. Recent trends in global humanitarian financing

A. Steady increase in disasters[22]

41. The environment and context of humanitarian action are constantly evolving. An increase in the number of disasters over the last decade reflects, in large part, global climate change. Annual average figures from 2001 to 2010 indicate that 384 disasters per year in some 120 countries affected 232 million people, killed some 107,000 and caused $109.3 billion in economic losses.[23] In 2011, the Centre for Research on the Epidemiology of Disasters recorded 302 natural disasters — largely due to geophysical phenomena, such as the Tohoku earthquake-tsunami in Japan — which claimed an estimated 29,780 lives, affected 206 million people and caused $366 billion of economic damage — the highest on record. In that year, it was estimated that at least 51 million people across 16 countries needed some form of humanitarian assistance.

42. The number of armed conflicts — reflecting a phenomenal increase in intra-State conflicts — peaked in the early 1990s, reaching 50 a year. Although this trend has since abated, in the first decade of the 21st century, armed conflicts still stood at 31 in 2010, and grew to 37 in 2011, primarily due to the increase in conflicts on the African continent and in parts of the Middle East.[24] There were over 26.4 billion

[21] http://www.undg.org/index.cfm?P=1100.

[22] Disasters are defined as "a serious disruption of the functioning of society, posing a significant, widespread threat to human life, health, property or the environment, whether caused by accident, nature or human activity, and whether developing suddenly or as a result of complex, long-term processes". See *Tampere Convention on the Provision of Telecommunication Resources for Disaster Mitigation and Relief Operations*, adopted at Tampere, Finland on 18 June 1998, para. 6 of article 1.

[23] Centre for Research on the Epidemiology of Disasters, *Annual Disaster Statistical Review 2011*, http://www.cred.be/sites/default/files/ADSR_2010.pdf.

[24] Lotta Themnér and Peter Wallensteen, *Armed conflict, 1946-2011*, in Special Data Feature of Uppsala Conflict Data Program (UCDP), Journal of Peace Research, 2012.

internally displaced persons (IDPs) at the end of 2011,[25] to which an estimated 15.2 million refugees should be added.[26]

43. Reflecting those trends, the increase in global humanitarian assistance has likewise been phenomenal, more than doubling over a decade, from $6.7 billion in 2000 to $18.8 billion in 2010 and $17.1 billion in 2011.[27] From 2000 to 2010, humanitarian assistance-related funding by the United Nations system increased from $2.7 billion to $7.4 billion.[28] Humanitarian assistance was the most important sector, accounting for about 30 per cent of total expenditure on operational activities for development, in the period from 2005 to 2010.[29]

B. An increasingly complex humanitarian system

44. Large-scale disasters, be they natural, man-made or conflict-related, displace and imperil the lives and livelihoods of populations. Protecting displaced persons and restoring and rebuilding their communities and infrastructure, requires not only immediate, but also medium- and long-term responses. Humanitarian assistance has been co-mingled with early, and often long-term, recovery development efforts and has become an increasingly complex and critical field, with financial needs that require efficient instruments for timely disbursement, as well as a sustained commitment of funds. Increasingly, the protection of civilians has been added as part of the humanitarian responsibility of United Nations system organizations, in particular in countries receiving integrated missions.

45. As pointed out above, there is no single intergovernmental mechanism providing policy elaboration, coordination, governance and strategic management of humanitarian and humanitarian-related matters across the United Nations system. The current humanitarian financing system relies in part on the CAP and Flash Appeals as mechanisms for planning fundraising and providing a guide to donors for emergency humanitarian assistance. Pooled funds function, to an extent, as financial mechanisms to handle and channel donors' contributions to achieve specific objectives that are shared among them by theme, sector and area, at the country level. But they neither govern nor manage the entire humanitarian financing provided by all the organizations and NGOs concerned.

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[25] Internal Displacement Monitoring Centre, Norwegian Refugee Council, *Global Overview 2011 — People internally displaced by conflict and violence*, p. 13, in http://www.internal-displacement.org/8025708F004BE3B1/(httpInfoFiles)/081F7B080CF6371AC12579E40046EDA9/$file/global-overview-2011.pdf.

[26] UNHCR, *Global Trends 2011*, A/66/81-E/2011/117, in http://www.unhcr.org/4fd6f87f9.html

[27] "GHA Report" (Global Humanitarian Assistance Report) 2006 and 2012, Development Initiatives, Koward Court, Jocelyn drive, Wells, BA5 IDB, UK. The total official development assistance increased from US billion $72.8 billion in 2000 to US$ 130.0 billion in 2010 in "Statistics on resource flows to developing countries", http://www.oecd.org/dac/aidstatistics/statisticsonresourceflowstodevelopingcountries.htm, table 6.

[28] See A/67/94-E/2012/80, p. 20.

[29] Ibid., table 5. See also A/66/79-E/2011/107, figure XXII.

C. Growth in humanitarian actors and financial instruments

46. Reflective of such a centrifugal framework and multiple financial needs, the number of humanitarian actors has also grown and diversified, as have fund sources and donors. National and international non-governmental humanitarian organizations (e.g. the International Federation of Red Cross and Red Crescent Societies (IFRC), the International Committee of the Red Cross (ICRC), and other international NGOs, such as Oxfam, Médecins Sans Frontières (MSF), etc.) cooperate with intergovernmental actors, such as UNDP, the United Nations Children's Fund (UNICEF), WFP, World Bank and the International Organization for Migration (IOM), as well as United Nations Peacekeeping Operations (PKOs) that provide, when required, protection to humanitarian operations. The Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund), established in 2002, is a multi-agency financial institution established to mobilize funding to prevent and mitigate the impact of the three diseases. Of note also are the several hundred NGOs and other groupings, such as those which were active in Banda Aceh, Indonesia, and in Haiti. This situation has given rise to an acute need for more effective coordination of the work of the numerous actors in the field.

47. Several financing mechanisms have been developed, both at headquarters and in the field, to complement traditional bilateral funding received directly by organizations from governments or private donors. OCHA manages and administers various trust funds, including CERF[30] at headquarters, and the Emergency Response Fund or Expanded Humanitarian Response Fund (ERF) in the field. OCHA also acts as programme manager of country-based CHFs for which UNDP provides administrative support as managing agent, except for the Somalia CHF.[31] In addition to these funds, there are recovery- and reconstruction-focused MDTFs administered by UNDP and/or World Bank in some of the affected countries. Organizations, such as UNICEF, United Nations Population Fund (UNFPA) and WFP, have established their own advance funding mechanisms and thematic funds contributed by donors, devoted to humanitarian service lines identified in the strategic plan and programme of each organization.

48. These funds have often financed activities in the areas of crisis prevention and recovery from disaster and complex emergencies, including national reconstruction, which are closely related to humanitarian assistance in the absence of adequate development funding in the affected countries. In 2006, as part of United Nations reform, the United Nations Peacebuilding Fund was launched with a post-conflict mandate to prevent relapse into violent conflict, through two funding facilities: the Immediate Response Facility (IRF) and the Peacebuilding and Recovery Facility (PRF).

49. The core functions of ISDR, which are supported by its Secretariat and promoted by the Global Platform for Disaster Risk Reduction, encompass not only development, but also the humanitarian fields relevant to disaster reduction, including prevention mitigation and preparedness.[32] It aims to build resilience to

[30] "The Under-Secretary-General for Humanitarian Affairs and Emergency Relief Coordinator (hereinafter referred to as 'the Coordinator') shall have overall responsibility for funding decisions and programmatic management of the Fund." See ST/SGB/2010/5, para. 1.5.

[31] In Somalia, OCHA is the CHF Managing Agent, not UNDP.

[32] A/RES/56/195.

hazards and incorporates risk reduction approaches into emergency preparedness, response and recovery programmes. However, in large-scale and severe protracted crises, where strategic management and planning are most needed, major challenges are encountered. Disaster risk reduction is low on the agenda of most stakeholders, and would be difficult to implement with sustainability in the midst of major crises.

50. A multiplicity of funding mechanisms to address emergencies and recovery, as well as transition to reconstruction and nation-building, are available. However, these mechanisms depend on voluntary contributions managed by separate governance frameworks. Moreover, the fragmentation of programme objectives set by different legislative bodies may result in duplication of work with inefficient programme delivery to the affected countries.

D. Trends in global humanitarian resource flows

51. The Inspector reviewed overall aid flows, using DAC data. Official aid flows in the humanitarian sector reflect an upward trend in both total humanitarian aid and aid for emergency response.[33] The Inspector identified the following salient trends in humanitarian aid flows.

52. **The share of humanitarian assistance aid in total Official Development Assistance (ODA) has grown significantly over the last decade**. DAC data[34] indicate that despite the recent financial crisis, ODA flows have continued to rise over the decade, reaching their highest real level ever in 2010 at $130 billion. Humanitarian aid grew significantly, amounting to $13.1 billion in that year, the largest quantum yet at nearly one tenth of total aid flows, next to assistance to the government and civil society sectors.

Concentration on countries in fragile situations and on disaster-prone countries

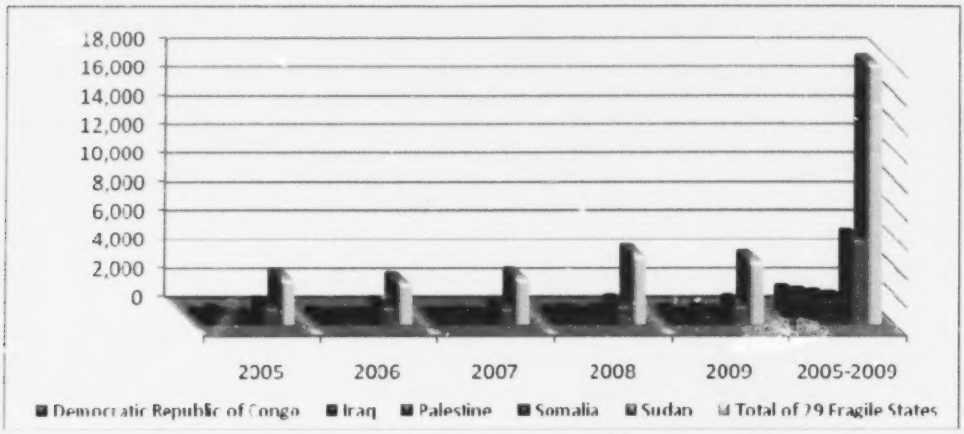
53. **ODA and humanitarian assistance have been concentrated on countries in fragile situations and on disaster-prone countries** (see figures 1 and 2 below). Detailed data on ODA flows show that emergency ODA flows remain highly concentrated on a handful of countries in fragile situations, such as Sudan, and have increased in real terms over the years. The largest proportion of emergency response funding for 2005-2009 went to countries in fragile situations ($18 billion). The total amount of emergency funding provided for natural disaster-prone countries (in the range of $8 billion) exceeds funding given for preparedness and prevention ($146 million and $536 million respectively). Aid flows for reconstruction and rehabilitation remained concentrated in both types of countries, amounting to a total of $2.7 billion.[35]

[33] *Op.cit.*, JIU *Background Materials*.

[34] OECD DAC "Fifty years of official development assistance", in 2010 reached their highest real level ever at $129 billion.

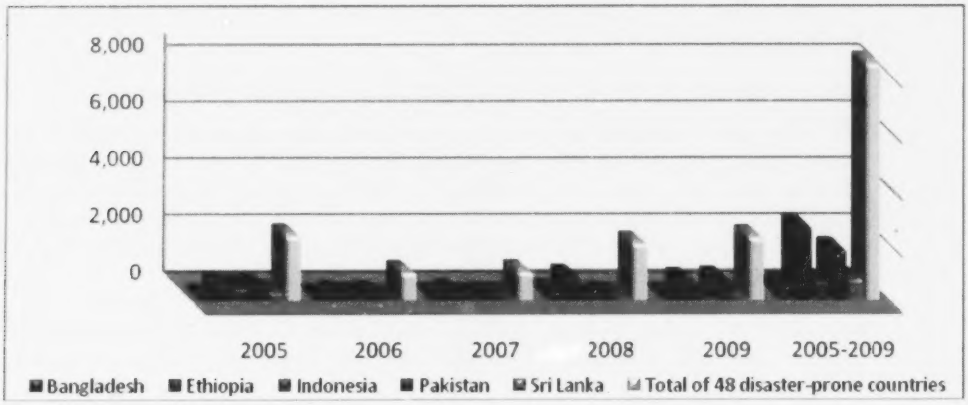
[35] See figure 6 of *Background Materials* available on the JIU website.

Figure 1
ODA flows for emergency response to countries in fragile situations[36] or States in conflict



Note: One unit equals one million USD, current prices.
Source: OECD-DAC database, World Bank.

Figure 2
ODA flows for emergency response to disaster-prone countries[37]



Note: One unit equals one million USD, current prices.
Source: OECD-DAC database, EM-DAT, World Bank.

[36] As defined by the World Bank, as of 19 October 2010.

[37] Disaster-prone countries are defined as listed by World Bank GFDRR as priority/donor-earmarked OR top-30 in average economic damage caused by natural disaster per year over average GDP from 2005 to 2009, in current prices. The United States of America was in the top-30 damage/GDP list, but was taken out as not relevant for the analysis.

Rapid growth in resources for prevention and preparedness

54. **Although there has been significant growth in resources for prevention and preparedness, the total amount is still small**. DAC presents data on funding in three sub-sector areas of humanitarian aid: emergency response; disaster prevention and preparedness; reconstruction and recovery. ODA flows to emergency response have increased by 8.6 per cent per year. Flows for prevention and preparedness increased dramatically, by close to 200 per cent per year for countries in fragile situations, and over 150 per cent per year for disaster-prone countries, although the amounts are still small.

55. Similarly, a World Bank report states that over the last decade, one fifth of total humanitarian aid flows were devoted to disaster relief and response, while the share of humanitarian funding for prevention was increasing rapidly from about 0.1 per cent to 0.7 per cent, but is still tiny.[38]

Inadequate financing for recovery

56. **Attracting money to finance early recovery has also been a major concern of the international donor community.** The above-mentioned World Bank report indicates that along with growth in minor amounts of flows for prevention, funding for reconstruction, relief and rehabilitation stagnated at a lower level between 2008 and 2009 than in preceding years. According to a regression analysis by an Inter-American Development Bank (IDB) study group of aid against disaster losses in 16 Latin American countries, on average 8.6 per cent of direct disaster losses can be expected to be covered by international assistance for recovery and reconstruction at the post-disaster stage.[39]

57. The World Bank report acknowledges that the nature of prevention, along with recovery and reconstruction, often implies long-term development expenditures, whereas emergency response focuses on immediate relief and/or life-saving activities, and by extension early recovery of livelihoods. To break the dichotomy between development assistance and emergency response, **the Inspector observes that many disaster-prone countries are in the process of, or ought to be, introducing national comprehensive disaster-management systems to integrate the disaster and post-disaster phases. Growth in modest funding flows for prevention is a sign of such incipient efforts ranging from emergencies to early recovery, prevention, risk reduction and reconstruction, relying not only on government institutions, but also participation of civil society and market actors.**

Resource flows to countries using appeals processes other than CAP

58. **Limitations for stretching humanitarian financing over to disaster-related developmental funding has led significant numbers of affected countries to resort to alternative appeal channels outside the United Nations humanitarian appeals processes (CAP/Flash Appeals).**

59. During the field visits, the JIU team was informed by several agencies that governments in some regions raise funds through their own channels in parallel with,

[38] World Bank, *Natural Hazards, Unnatural Disasters, the Economics of Effective Prevention*, http://www.gfdrr.org/gfdrr/sites/gfdrr.org/files/nhud/files/NHUD-Report_Full.pdf, p. 9.

[39] Freeman et. al., *Disaster Risk Management* IDB (Washington, 2003), p. 52.

or outside, the typical CAP or Flash Appeals process used by United Nations agencies during emergencies and post-emergency phases. The Food and Agriculture Organization of the United Nations (FAO), IDB, UNDP and UNICEF provided specific examples in this regard. Several agencies organize fundraising through their own channels at national, regional and global levels. Humanitarian agencies such as the United Nations High Commissioner for Refugees (UNHCR), UNICEF and WFP, as well as ICRC and IFRC, make appeals from time to time to meet their operational financial needs outside the CAP/Flash Appeals process. UNICEF appeals are launched in cases where no inter-agency Flash Appeal is being launched, or in cases of late appeals. All appeals parallel to existing CAP are aligned to the latter. UNDP is often part of these appeals with respect to early recovery and some other areas (e.g. community restoration, disaster risk reduction, access to justice and demining). The World Bank, regional development banks and other regional organizations also mobilize funds during and after emergencies.

60. According to the 2011 Global Humanitarian Assistance (GHA) report, the United Nations issued a handful of humanitarian funding appeals outside of CAP, amounting to US$1.6 billion, for funding for Burkina Faso, Iraq, Nepal, Pakistan, Sri Lanka and the regional response plan for Iraqi refugees in 2010, but only 43.7 per cent of those appeals were funded, compared to 70 per cent of funding needs expressed in Flash Appeals.[40]

61. From 2005 to 2009, 13 countries used entirely or partially those humanitarian aid channels that are outside the UN/CAP process.[41]

62. Of the 13 countries, eight were either lower- or upper-middle-income economies, presenting a trend whereby the coordination of financing is carried out by governments themselves. The use of and reliance on CAP depends on the relative governance and ownership capacity that each host country can exercise over disaster management operations.

63. A brief analysis revealed the entrance of new players together with a new pattern of contributions which go beyond the appeals made through CAP or the Flash Appeals process. Funding from non-OECD/DAC donors increased and accounted for 6 per cent of total reported humanitarian aid between 2000 and 2008, and amounted to $622 million worth of humanitarian assistance in 2010.[42] In certain emergencies caused by large-scale disasters, in addition to the contribution by traditional donors, significant commitments were made by new donors, many of which are usually recipients of emergency assistance. Saudi Arabia was a new and top donor to the Emergency Relief Response Fund (ERRF) with its $50 million contribution to Haiti in 2010. India reported $36.5 million in humanitarian aid in 2010, rising from $200,000 in 2000.[43]

64. Aid flows from private and philanthropic organizations are also altering the financing landscape. Thanks to the growing number of new donors such as States, individuals, NGOs, private firms and other entities, funding and pledges now either

[40] See the GHA report, p. 61.

[41] For the purpose of the comparative analysis with non-CAP appeals, CAP appeals comprise all appeals processed through the United Nations using OCHA's humanitarian appeal mechanism inclusive of the CAP or Flash Appeals process, irrespective of the latter's nomenclatures. The *Background Materials*, Annex II, contains a compilation of DAC aid flows of this type.

[42] OCHA FTS.

[43] See http://www.irinnews.org/InDepthMain.aspx?indepthid=91&reportid=94011.

far exceed the targets envisaged in CAP or the Flash Appeals, or have mobilized sizeable funds without recourse to the latter.

65. Response by the international community to certain major natural disasters has been spontaneous due to their unprecedented scale and international consequences. Such response is motivated by a sense of solidarity and interdependence among States that is enhanced by recognition of the global impact of the disasters as promoted by the media.

66. The total amount of funds raised on the occasion of the Indian Ocean tsunami Flash Appeal in 2005 reached $6.2 billion compared to the $0.98 billion requirement identified through CAP. Most of the funds (about $5 billion) came from private and official bilateral donors outside CAP, notably IFRC and other NGOs, and were used to meet not only emergency relief needs, but also early recovery, reconstruction and mitigation needs. In the case of funds committed or raised through CAP, more than half remained undisbursed after two years. As to commitments for post-emergency work, the state of disbursement is still unknown.

67. In addition to the Indian Ocean tsunami, Hurricane Katrina (2005) and the Great East Japan Earthquake and Tsunami of March 11, 2011, attracted significant amounts of foreign assistance despite the absence of any multilateral appeals. In the case of Hurricane Katrina, the United States of America received pledges of $854 million from around the globe.[44] In the case of the Japan earthquake and tsunami, the total amount of funding and pledges provided by governments, NGOs, private firms and individuals reached $1.1 billion by the end of November 2011, of which some 88 per cent was outright donations by private individuals and organizations, thus putting Japan at the top of the four largest recipients of international humanitarian financing in 2011.

68. These contributions were not driven by holistic evidence-based assessments which could have allowed a more optimum use of all the resources available to the affected countries. Thus, there is an increased risk of aid competition, unsolicited grants, duplication and overlapping of financing.

69. These cases point to the need to: (a) develop more evidence-based needs assessments of humanitarian financing requirements of affected countries, regardless of whether they are industrialized or developing countries; and (b) apply them strategically to enlighten the international media to canalize aid flows to the most needy sectors and populations.

70. In order to plan and deliver adequate resources on a timely, predictable and sustainable basis, **the Inspector concludes that the United Nations system needs to develop a strategic financial planning framework drawing on a realistic assessment of historical and sectoral trends in the demand for and supply of humanitarian funds, and their allocation and use in the affected countries.**

71. It is obvious from the foregoing that certain disaster-affected countries have, increasingly more frequently, required foreign assistance for longer periods than other countries. They are disaster-prone countries and countries in fragile situations. Anticipating the financial needs of such countries on a country-by-country basis is

[44] See The White House, "*The Federal Response to Hurricane Katrina: Lessons Learned*", http://georgewbush-whitehouse.archives.gov/reports/katrina-lessons-learned/ (25 November 2011).

essential and would be a credible way to involve multilateral and bilateral donors in meeting ex ante the financial needs of disaster-affected countries to help the affected population achieve seamless transition from emergency to early recovery, prevention, risk reduction and reconstruction. To this end, the initial financing through the Common Humanitarian Action Plan (CHAP) should be dovetailed with medium- and long-term financing for the CCA/UNDAF processes.

72. The implementation of the following recommendation is expected to enhance the effectiveness and predictability of delivery of humanitarian financing of the United Nations system organizations.

Recommendation 1

The Secretary-General should request the Emergency Relief Coordinator, as Chairperson of the IASC, to ensure that the Consolidated Appeals Process (CAP) is developed as an instrument to generate a strategic financial planning framework to:

(a) **Meet holistic resource requirements of disaster-affected countries for sustained assistance — from emergencies to early recovery, prevention, risk reduction and reconstruction — that are realistically assessed on a country-by-country basis for disaster-prone countries and countries in fragile situations; and**

(b) **Enable all humanitarian actors to participate in common evidence-based needs assessments to mobilize and deliver adequate resources on a timely, predictable and sustainable basis.**

IV. Humanitarian financing governance framework

73. Since the end of the so-called Cold War, there has been a notable increase in humanitarian financing and in disaster and emergency relief actors; the number of NGOs in this field is estimated to have grown more than ten-fold. Most of the United Nations system organizations have some form of disaster management mandates and structures. Military contingents have mandates to enable and protect humanitarian assistance operations and provide some form of humanitarian assistance in *extremis* situations, including the protection of civilians in disaster-affected populations. The plethora of humanitarian actors also includes individual and private-sector donors and organizations. As addressed in depth above, the proliferation and specialization of humanitarian services have made the central coordinating function of the United Nations humanitarian system increasingly challenging.

74. The competition for financing, disparate fundraising and fragmented management of financial instruments could negatively affect the mobilization and allocation of resources for humanitarian operations. The existing system is characterized by the lack of an intergovernmental mechanism to provide robust system-wide governance, as well as the lack of a strategic management and planning framework for disaster response and reduction among the United Nations agencies.

In this respect, **the Inspector reaffirms his previous recommendations[45] that Member States establish a United Nations programme for humanitarian assistance coupled with a system-wide forum to debate policy and the financing of humanitarian operations, in the form of an intergovernmental committee to deal integrally with disaster response and disaster risk reduction policies, and assist the General Assembly in overseeing the management of humanitarian assistance funds available to the United Nations system.**

A. Providing predictable funding for core humanitarian coordination

75. Core and/or regular resources are the principal instruments by which governments can exercise collective governance over Secretariat activities. However, they fund only a tiny part of humanitarian operations. A greater proportion of the United Nations regular budget and its assessed contributions should be used to support core humanitarian activities, including coordination. As pointed out in the recommendations of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) concerning section 27 — humanitarian assistance — of the United Nations regular budget for the 2012-2013 biennium, the regular budget components of OCHA[46] should be strengthened to provide more adequate and predictable funding for the coordination of humanitarian action and emergency response. In fact, despite a recommended increase of OCHA's regular budget component, extrabudgetary resources are still expected to represent 94 per cent of OCHA's overall resource requirements for 2012-2013.

76. The ISDR secretariat — the entity responsible for natural disaster reduction, subprogramme 3 under section 27 — is composed of some 115 posts, of which all but one are funded by the $64.9 million in extrabudgetary resources for 2012-13. In 2011, the General Assembly in its resolution 65/157 (operative paragraph 15) acknowledged the need for increased, timely, stable and predictable resources for the implementation of the Strategy, and requested the Secretary-General to consider how best to support it with a view to ensuring adequate resources for the operation of its secretariat. In response, the Secretary-General made a proposal to partially meet such a need, i.e. an allocation from the assessed budget to an inter-agency coordinating body for disaster risk reduction, namely, the ISDR secretariat, under the subprogramme. Thus, the General Assembly recently approved one regular budget post at the D-1 level for ISDR at a cost of $262,700 (see A/66/6 (Sect. 27)). While this development represents progress in providing predictable funding for core humanitarian coordination, more systematic consideration should be given to the mobilization and use of regular budget resources. The Inspector recalls that every biennium, the United Nations grants nearly $2.2 million to UNDP, which funds staff positions in the Bureau for Crisis Prevention and Recovery (BCPR), in accordance with General Assembly resolution 52/12 B.[47] **In 2006, JIU proposed that the Secretary-General commission an independent evaluation of the use of this grant;[48] the evaluation has yet to be undertaken.**

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[45] See JIU/REP/2006/5, recommendation 7.

[46] See United Nations budget section 27, Subprogramme 2 — Coordination of humanitarian action and emergency response.

[47] See para. 16.

[48] See JIU/REP/2006/5, para. 89.

77. More adequate and predictable extrabudgetary resources should also be provided to support coordination activities in the field. One issue that has been raised by recent evaluations, such as the CERF 5-year evaluation[49] and the CHF evaluation,[50] is the need to strengthen funding for field-based staff supporting these pooled funding mechanisms. OIOS also reported a lack of adequate staffing to manage ERRF in Haiti. Funding for the effective management in the field of these financing mechanisms should be provided either by allocating a proportion of these funds to support coordination, or through the use of a percentage of the support costs for these funds. Another possibility to be further explored is the creation of a support budget combining all the support costs and/or joint management facilities at the field level.

78. Another issue of concern was the lack of a clear-cut funding mechanism for cluster coordination. To address this issue, OCHA prescribed the inclusion of funding for field cluster coordination in Consolidated/Flash Appeals by the lead agencies concerned if they need to raise funds for it.[51]

79. **The Inspector is of the view that the Secretary-General, with the support of OCHA and the United Nations Controller, should identify ways and means to strengthen funding for coordination and common support services in the field, including the allocation of resources from the pooled funds, through the use of pooled programme support costs or a dedicated proportion of unearmarked funds in them.**

B. Planning humanitarian financing more strategically

80. Humanitarian financing should be based on the principles of neutrality, impartiality and independence, as enunciated in General Assembly resolution 46/182. The fundamental conditions for the provision of funding presuppose the existence of a needs assessment and effective reliance on local life-saving capacity and procedures. However, as pointed out in a recent cluster approach evaluation report,[52] until now duplications and quality disparities of needs assessments have persisted. Also, unsolicited supplies of aid in kind and money have become increasingly common. All this makes results-based planning based on common evidence-based needs assessments a challenge.

(a) Establishing coordinated needs assessments

81. Several initiatives have been undertaken at the global level to promote joint or coordinated needs assessments. The United Nations Development Group (UNDG), including UNDP, OECD/DAC, the European Commission, World Bank and regional development banks, have developed needs assessment methodologies, such as the

[49] Recommendation 11 from the CERF 5-year evaluation report (p.106) addressed to the United Nations controller states: "Allocate a percentage of CERF funds from the 3% UN Secretariat management fees to reinforce the HC and OCHA's monitoring capacity in the field".

[50] The CHF Evaluation: Synthesis Report (p. 33) states "Since OCHA's Humanitarian Financing Section is funded in an ad-hoc manner OCHA's own fund management costs in each country should be covered by a percentage levy on the fund."

[51] See OCHA, 2012 CAP Guidelines, p. 30.

[52] J. Streets, F. Grünewald, A. Binder, V. de Geoffroy, D. Kauffmann, S. Krüger, C. Meier, B. Sokpoh, *Cluster Approach Evaluation 2 Synthesis Report*, April 2010, p. 50.

Post-Disaster Needs Assessment and Recovery Framework (PDNA/RF), the Post Conflict Needs Assessment (PCNA) and the draft Guidance on transition financing: Delivering better results in transitional contexts.

82. In March 2009, IASC established the Needs Assessment Task Force (NATF). It has developed a package of tools and products aimed at harmonizing and promoting cross-sector needs assessment initiatives such as Operational Guidance for Coordinated Assessments in Humanitarian Crises (finalized in February 2011), Key Humanitarian Indicators, an IASC Coordinated Assessment Pool and Roster (CASPAR), a capacity-building programme, and a Humanitarian Dashboard. This exercise could ultimately result in developing a tool to consolidate and present a comprehensive picture of humanitarian needs, most probably in the formulation of a strategic planning framework of global humanitarian assistance, using the Multi-Cluster Rapid Assessment Approach, which would assist CAP in evidence-based decision-making.

83. The traditional humanitarian assistance agencies, such as UNHCR, UNICEF, WFP, as well as FAO and the World Health Organization (WHO), have based their needs assessments on the availability of life-saving capacities in host and local communities and do not seek to supplant them. For example, WFP's Strategic Objectives 2008-2013[53] are based on availability of local life-saving capabilities to provide food assistance to meet specific needs and priorities in a country or region, using fairly sophisticated needs assessment methodologies and tools, such as Vulnerability Analysis and Mapping. **The Inspector is of the view that the United Nations system organizations and entities should bear in mind the life-saving capacities and other abilities available in host and local communities in all future holistic humanitarian needs assessments.**

(b) Definition of a humanitarian response strategy

84. The CAP cycle and the definition of CHAP are expected to inform the affected populations, the humanitarian aid community and donors about a humanitarian response strategy, including scenarios, needs prioritization and response planning, in consultation with the affected country. The response plan should be based on accurate and timely assessments of the holistic needs of the affected community, as well as linkages of the response with recovery, development and peacebuilding activities, as appropriate. The CAP guidelines encourage NGOs to include their projects in the Appeal even if they receive bilateral funding outside of CAP. They should be implemented to provide a complete picture of the humanitarian activities being undertaken. As stated earlier, there are non-CAP processes by which both United Nations and non-United Nations system organizations, such as ICRC, IFRC and IOM, have raised sizeable funds. In 2011, CAP raised $198 million and non-CAP processes raised $182 million for Haiti. In addition, some international NGOs, such as IFRC and ICRC, raised sizeable funds outside of CAP, including from private contributions, for example on the occasion of the Indian Ocean tsunami. In 2010 private funding to MSF reached $1.1 billion.[54] It is therefore important to improve the transparency of resource flows taking place outside of CAP.

[53] http://documents.wfp.org/stellent/groups/public/documents/communications/wfp228800.pdf.

[54] See 2011 GHA report p. 19.

85. Moreover, early recovery has often been underemphasized and underfunded in CAP. The CAP section is trying to address this issue by ensuring that early recovery activities are mainstreamed within each of the humanitarian clusters covered by CAP. Those early recovery areas of intervention which fall outside the scope of response of the clusters, such as governance, rule of law, non-agricultural livelihoods, land and property, reintegration and basic and community infrastructure, could be presented in a specific early recovery response plan for each of the main sectors to be addressed, according to context.[55] In fact, CAP should not only define the boundaries of the humanitarian response strategy, but should also provide linkages with recovery, reconstruction, development and peacebuilding strategies through its cluster approach.

86. There is broad agreement that humanitarian assistance and development assistance are complementary, and that humanitarian preparedness, as part of disaster risk reduction, saves lives and is a cost-effective investment. Governments agreed on this point with explicit language in the HFA.[56] In its report on the response to the Indian Ocean tsunami,[57] JIU recommended developing a joint integrated strategic and system-wide planning framework for the management and coordination of humanitarian assistance, disaster risk reduction and disaster response activities. It also recommended to the United Nations system Chief Executives Board for Coordination (CEB) that the United Nations system organizations implement a results-based management approach to manage programmes and resources in a coherent way.

87. However, the CEB is yet to implement the recommendation. At present, despite the adoption of the HFA as a guiding framework to ensure coherence across development and humanitarian sectors, there is little agreement, even among the United Nations system organizations, on what and how to provide coherent, systematic and sustained assistance to the affected populations throughout the entire duration and/or cycle of disaster management. **In order to initiate a common definition, the agencies should bear in mind the need to develop a concept that is largely based on the life-saving one, but including linkages with livelihoods and early recovery that are conducive to recovery and development, taking into account the definition of emergencies adopted by WFP** (see para. 7 above).

(c) Using military assets strategically

88. Financing of humanitarian assistance does not proceed in a linear fashion from relief, recovery and reconstruction to development. In the context of complex emergency situations, emergency assistance and other types of disaster management measures are co-mingled where integrated peacekeeping missions are deployed. Because of continuing complex emergency situations, emergency assistance continues to be provided as and when a risk situation re-escalates, while early recovery, protection of livelihoods, and assistance to refugees and IDPs need to be provided in parallel.

89. Civil-military coordination is part of humanitarian action. Different strategies have been applied — from coexistence to cooperation — between the two

[55] See 2012 CAP guidelines, http://ochaonline.un.org/OchaLinkClick.aspx?link=ocha&docId=1257532, p. 37.

[56] OCHA, IASC Humanitarian Financing Group, WO/1010/3604/7, November 2010, Annex I, p. 1.

[57] See JIU/REP/2006/5.

communities depending on the particular political and security emergency contexts. In fact, humanitarian actors are increasingly concerned about the perceived politicization of humanitarian action, resulting in part from the blurring of distinctions between the military and the political components of United Nations peace missions.

90. Since 1999, peacekeeping operations have increasingly been mandated to protect civilians under imminent threat of physical violence through military means, further to Chapter VII of the Charter of the United Nations. Peacekeeping operations provide armed escorts to humanitarian agencies working in complex emergencies, as well as humanitarian mine action assistance. In rare and extreme situations where humanitarian agencies have no access to affected populations, peacekeepers may also distribute humanitarian aid on behalf of humanitarian agencies, and have often provided, as a last resort, food, water, shelter, health care and medicine to those populations, if no other means are available.

91. According to the Inspector's conservative estimates, the resources spent by the United Nations peacekeeping and peacemaking activities on civilian protection accounted for 5 per cent of total operational resources and 9.1 per cent of total civilian PKO posts in the fiscal year 2011/2012 (see Annex V in *Background materials* for this review available on the JIU website). As regards QIPs, through which the military have delivered services — such as medical and food aid — to win the hearts and minds of affected communities, the Secretariat estimated that $12.5 million in resources were mobilized in the 2009-2010 biennium, while the DPKO/ Department of Field Services (DFS) Policy Directive on QIPs of February 2007 authorized QIP budgets of up to about $70 million a year, representing one per cent of the requested resources of the PKO concerned.

92. Indeed, the Inspector identified a few cases where military contingents provided humanitarian aid to local populations displaced by military hostilities in South Darfur.[58] The Inspector discussed his findings in Sudan, where contingents of the African Union/United Nations Hybrid Operation in Darfur (UNAMID) and the United Nations Mission in the Sudan (UNMIS) offered food, water, shelter, medical care and security support for displaced persons in South Darfur, with DPKO and DFS staff at headquarters. Although the staff acknowledged that such direct assistance to IDPs was justified as assistance *in extremis*, the Inspector was not satisfied that adequate disaggregated data and information was gathered by the Secretariat to provide sufficient transparency on the type of assistance undertaken by the contingents.

93. The Inspector also observed at United Nations Headquarters and in the field — for example, Haiti and Sudan — that a still overly cautious firewall prevailed between the military and the civilian. A possible way to enhance transparency would be for the top officers of the integrated missions, for example, the HC in his/her capacity as Deputy Special Representative of the Secretary-General (DSRSG), and the Force Commander, to be proactive and accountable for improving the civil-military interface. They should report more broadly on cases where, when and why they authorize the use of military assets in support of humanitarian assistance, in the

[58] See for example, the cases of December 2008 (A/64/566, para. 31), December 2010 (UNAMID Security situation updates of 22 and 24 December 2010 and 3, 10 and 11 January 2011).

budget performance reports of the PKOs and in the periodic reports to the Security Council on the protection of civilians.

94. Civil-military relations have been less tense in the context of natural disasters, notably in the aftermath of the January 2010 earthquake in Haiti, where MINUSTAH was asked by the Secretary-General to deploy all means available to support and enable humanitarian operations where needed.[59]

95. In Haiti, humanitarian organizations utilized engineering battalions to remove rubble, rebuild medical and health-care centres and restore public utilities, such as water and sanitation services. The success of the Haiti mission depended much on the integrating function of the United Nations operations through MINUSTAH and the coherent discharge of multiple functions which were assured by the senior officers on the ground, namely, the Special Representative of the Secretary-General (SRSG) and the DSRSG of the mission, who combined the mandates of the United Nations Resident Coordinator, the Humanitarian Coordinator and the Resident Representative.[60]

96. The implementation of the following recommendation is expected to enhance the accountability and coordination of humanitarian operations within the United Nations system.

Recommendation 2

The Secretary-General should increase transparency and accountability regarding the use of military assets directly provided as a last resort in support of affected populations, by reporting more on such cases and the resources mobilized in the budget performance reports to the General Assembly on PKOs, as well as in the periodic reports to the Security Council on the protection of civilians.

C. Linking short-term with longer-term financing

97. General Assembly resolution 46/182 recognizes that there is a clear relationship between emergency response, recovery, rehabilitation and development. As such, emergency assistance should be provided in ways that will be supportive of recovery and long-term development, in order to ensure a smooth transition from relief to rehabilitation and development. Development assistance organizations of

[59] See the 20 January 2010 letter from the United Nations Secretary-General to the acting SRSG at the time.

[60] Following the 2010 Haiti earthquake, large-scale foreign military forces were deployed, with contingents from the United States, Canada, Japan and a number of Latin American and European countries, in addition to existing military and police forces operating as part of the United Nations Stabilization Mission in Haiti (MINUSTAH), to provide initial logistical support. Japanese Self-Defense Forces offered logistic services, repaired roads and hospitals, built humanitarian depots for WFP and other agencies. US military resumed the air traffic operations at the Toussaint Louverture International Airport, and repaired the port. Other military capabilities deployed at the onset of the emergency included airlift, emergency medical support and logistics. See ODI HPN, *The United Nations Humanitarian Civil-Military Coordination (UN-CMCoord) response to the Haiti earthquake*, 31 August 2010.

the United Nations system should be involved at an early stage, and should collaborate with those responsible for emergency relief and recovery within their existing mandates. Although this resolution provided for the Resident Coordinator (RC)/HC to be made responsible for coordinating the continuum of humanitarian assistance to transition at the country level, no system-wide financing tools were made available to him/her at that phase to discharge such coordinating functions.

98. In its Draft guidance on transition financing,[61] the International Network on Conflict and Fragility (INCAF) highlighted the critical challenges preventing more effective aid delivery, including the increasing fragmentation of aid instruments.[62] The coherent use of resources is hampered by the dichotomy prevalent in major emergency situations between the humanitarian community and the development community. As donors pledge development funds based on a national plan and at the request of the recipient country, development funding has proven slow to materialize. Moreover, traditional donors are reluctant to provide development funding for early recovery, recovery and transition activities due to the difficulties in pre-agreeing the modalities of assistance with recipient countries.

99. Therefore, although basic service needs are met by humanitarian funding, other priorities, such as capacity-building to facilitate basic service delivery, and the re-establishment of livelihoods in early recovery, remain unaddressed or unfunded. Humanitarian financial instruments tend to be too overstretched to cover ever-broader humanitarian needs and objectives in the early recovery phase where the lack of funding has hampered the work of humanitarian NGOs. Mechanisms are still to be developed for bridging the funding gap between humanitarian and development activities, including for early recovery activities.

100. IOM and UNHCR have produced different inventories of available financial sources to fill financial gaps at local and global levels, and urge their regional and local offices to resort to them in competition with other humanitarian and developmental organizations. In view of the complexity and diversity of humanitarian financing mechanisms, OCHA, UNDP and the World Bank should work together and with the assistance of RCs/HCs to establish a compendium of operational funding facilities and mechanisms available to humanitarian organizations on the ground and promote information sharing to better coordinate assistance to affected populations.

101. The unique needs of each affected country should be taken into account. Better integrated financing is required to meet the specific needs of emergency-affected countries. Needs arise at each stage, from relief, recovery and reconstruction to all the stages to be governed by a transition financing process. For example, assistance at the emergency stage, such as support for IDPs living in tents, as may be formulated within ERC/CHAP should be followed by sequential measures — transitional and permanent housing leading to return to home communities — that are organically linked with recovery and development measures.

102. The Inspector identified a number of good practices to facilitate transition financing. Some donors have already adopted a comprehensive disaster risk

[61] See INCAF, *Draft Guidance on Transition Financing — Supporting Coherent and Sustainable Transition in Fragile States*, September 2011, p. 6. The term relates to what has been called early recovery by humanitarian actors.

[62] Ibid., p. 3.

management policy to address not only life-saving needs, but also recovery and development. Norway promotes humanitarian assistance within a framework of humanitarian action to protect affected civilians;[63] Japan provides a package of assistance programmes which embrace emergency relief, recovery and reconstruction, coupled with capacity-building for preparedness and strengthened resilience to disasters by the affected communities. These policies are in line with HFA 2005-2015, in particular the International Recovery Platform (IRP) developed jointly by the International Labour Office (ILO), ISDR, OCHA and UNDP.

Good practice example

The 3R Mechanism: Relief, Recovery and Reconciliation

A good practice is the 3R Mechanism set up by MINUSTAH and OCHA in Haiti. The ERF initially set up in Haiti in 2007 with the support of Norway and Sweden included two MDTFs that aimed to address disaster response, recovery and reconciliation needs in Haiti under the overall supervision of the HC/RC. These are the Recovery and Reconciliation Fund (RRF), set up to support acquired community stability, promote reconciliation in key areas and assist the democratic process in the rest of the country; and the ERRF, created to enable partners to respond quickly and in a coordinated manner to address unforeseen needs arising from disasters linked to natural hazards. These funds tried to provide a link with development programmes. The RRF was later abolished as it was not seen as part of OCHA's mandate. However, such a transition financing mechanism is much needed, but currently missing in Haiti.

103. In countries such as Haiti which is in a fragile situation and subject to natural disasters, latent and deep-rooted causes of disasters, often described by our interlocutors in the UNCT as symptoms of the "silent crisis" of Haitian society, require a long-term transition strategy and financing for relief, recovery, rehabilitation and development.

104. In Haiti, UNDAF was replaced by the Integrated Strategic Framework (ISF) which brought together the UNCT and MINUSTAH. The ISF provides an integrated framework for the United Nations, based on the Haiti Action Plan for national recovery and development, and is expected to be extended for another three years or so. Similar ISFs have also been created in other countries that host integrated missions. This is a positive innovation reflecting the feasibility and desirability of integrating the functions of humanitarian, peacekeeping and development actors into one mission. However, despite the major role it plays in recovery and reconstruction activities, the World Bank is not bound by this framework. Moreover, coordination on the ground between humanitarian organizations and MINUSTAH remains problematic.

[63] Ministry of Foreign Affairs of Japan, " Outline of Humanitarian Aid Policy", August 2011 in http://www.mofa.go.jp/policy/emergency/pdfs/outline_hap.pdf

105. **The Inspector is of the opinion that the Secretary-General should clarify how CHAP, the UNDAF processes and the integrated strategic plan (ISP) and frameworks (ISFs) can serve as a basis for all United Nations system organizations to provide the affected country with integrated operational humanitarian assistance throughout the transition period.**

D. Efforts to overcome the negative impact of earmarking

Good humanitarian donorship

106. The General Assembly formally recognized the Principles and good practice of humanitarian donorship[64] and called on donors to adhere to them and to provide adequate, timely, predictable and flexible resources based on and in proportion to assessed needs, including for underfunded emergencies, and to consider providing early and multi-year commitments to pooled humanitarian funds.[65] Donors are expected to provide funds in proportion to needs assessed with greater involvement of local beneficiaries; meet long-term needs for recovery and development and the strategic priorities of recipient countries, and reduce earmarking in order to enhance flexibility of funding arrangements as may be required by the humanitarian coordinators.

Experience of pooled funds

107. Humanitarian pooled funds, like CERF, CHFs and ERFs, have tried to address the negative impact of earmarked contributions. While funds provided by these pooled funds are sometimes soft earmarked, the following good practices have been identified.

108. Donors have agreed not to earmark their contributions to these funds, except for the "soft" assignment of the funds to a particular country in the cases of the CHF and ERF. Optimal use of resources is to be assured through the coordinating leadership of the HC. The grant-based CERF Rapid Response Window and the ERFs cover the initial stages of emergency response. CHFs typically cover a broader range of activities, including early recovery; they include an emergency reserve designed to enable the HC to respond to unforeseen emergencies. The HC may determine the exact level of the reserve, taking into account the entire availability of funds among the various humanitarian funds (in the Sudan CHF, the minimum level is 10 per cent of the committed funds).

109. Apart from this reserve, CHF funds are allocated to humanitarian projects that are included in CAP or the country work plan. The HC has the authority to decide funding allocations and to manage and coordinate the use of funds, with the advice of a CHF Advisory Group, comprised of donor, UNCT and NGO representatives, supported by the country office of OCHA Humanitarian Financing Section. The independent competence of the HC ensures optimal use of the funds available at the country level, in accordance with the collectively agreed framework among stakeholders.

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[64] A/58/99-E/2003/94, annex II.

[65] See General Assembly resolution 66/119, operative para. 23.

110. OCHA Sudan completed the revision of the terms of reference [66] and operational guidelines of the Sudan CHF in early 2011. Major features were the establishment of a consensual process on the formulation of the annual work plan and allocation of funds (which stand at around $120 million to $140 million a year, accounting for 10 per cent of total foreign humanitarian assistance to Sudan of around $1.3 billion in 2009).

Good practice example

Minimizing donor transaction costs while maximizing local involvement

In Sudan, donors are happy to have their intentions reflected in the annual project proposals through consultation and peer reviews thereon. Each delegation spends on average one day per week on such consultations throughout the year, but is content with the substantive benefit of being informed of proposals and ideas from their interlocutors, civil society, local and international NGOs, as well as line ministries of the Sudanese Government. This seems to be a revolutionary move, whereby country coordination is taking place on all substantive matters of humanitarian assistance, involving the local community with the help of cluster/sector leads. It remains to be seen how this experiment will contribute to the development of community-based humanitarian assistance and recovery formula and institutions.

111. OCHA performs a major coordination role in Sudan. Projects formulated within the framework of the Work Plan for Sudan can be financed by the CHF based on a collective and participatory management approach. The Sudan CHF consultative process provides an example of the first step to ensuring coherence between needs assessment and donor funding to meet the needs of the local communities. The Inspector found that this represented a general feature of CHFs in other countries as well. This is a way of mitigating the negative impact of donor-driven and earmarked financial assistance, through the extensive use of the CHF consultation process.

112. To a lesser extent, ERFs have also promoted consultations with donors at the country level. Where a CHAP or similar planning or prioritization framework exists, ERFs work within the framework and objectives of the CHAP. However, ERFs often do not provide resources directly to projects within CAP, due to their focus on new and unforeseen needs. For reviewing proposals, the HC is assisted by an inter-agency Review Board, which includes representatives from United Nations agencies and NGOs. The HC is also supported by an Advisory Board, which includes United Nations agencies, donors and NGO representatives, and which advises on strategic and policy issues.

113. In contrast, decisions on CERF allocations have not involved broad consultations with donors in the field. At the country level, the setting of priorities for the CERF grant request is led by the HC/RC, involving the UNCT or HCT,

[66] See *Sudan Common Humanitarian Fund Revised Terms of Reference*, October 2011.

which sometimes includes representatives from donors and national governments. The HC/RC submits the grant request, supported by the cluster lead agencies, which lead the preparation of proposals for their respective sectors. The final funding decision is made by the ERC at United Nations Headquarters, on the recommendation of the CERF Secretariat.

114. **The Inspector is of the view that in countries where CHFs and/or ERFs exist, the Secretary-General should ensure through the RC/HC that CERF planning is integrated with existing financing governance processes. If no country-based pooled fund exists, a governance mechanism should be set up to ensure that all stakeholders are consulted on the CERF application — including representatives from United Nations agencies, IFRC, NGOs and other relevant stakeholders. The establishment of a country-based pooled fund mechanism that complements the CERF should also be looked into, as appropriate.**

115. **Based on the positive experience of the pooled funding mechanisms which reflects effective application of the GHD principles, the inspector concludes that there is scope for the United Nations system to develop a set of good common humanitarian funding principles.**

116. The implementation of the following recommendation is expected to enhance accountability and disseminate good practices between the different humanitarian pooled funds, and to mitigate the negative impact of earmarking.

Recommendation 3

The General Assembly should mandate the Secretary-General to present, with the support of the IASC, a proposal on a set of good humanitarian funding principles advocating soft earmarking and a participatory approach, taking into account the good practices in the inclusive programme-based management and governance arrangements of CHFs at the country level and the experience made through the Good Humanitarian Donorship initiative.

E. Defining common procedures for humanitarian assistance and recovery conferences

117. Very few international aid conferences for relief, recovery and reconstruction have been organized by OCHA. In contrast, the International Donors' Conference Towards a New Future for Haiti, held in New York on 31 March 2010, was organized by the World Bank and UNDP and co-hosted by the United States of America and the United Nations, in cooperation with the Government of Haiti and the support of Brazil, Canada, the European Union, France and Spain. All 193 United Nations Member States were invited to attend. Many donors' conferences were convened by major donors and development organizations such as the World Bank and regional banks. In a few cases, the Secretary-General has appointed political leaders of Member States as Special Representatives or Special Envoys, and provided them with a support office to coordinate commitments and assistance.

118. In addition to the regular CAP events (e.g., launch of CAP, Sudan Work Plan, etc.), such conferences are particularly relevant for filling outstanding unmet requirements. The Special Envoys or Representatives of the Secretary-General, both for the Indian Ocean tsunami and for Haiti, have been instrumental in identifying the holistic needs of the regions and countries affected by the tsunami and earthquake disasters at different stages of emergency, recovery and reconstruction, as well as identifying funding and commitments made by all donors. In order to help the recipients to build back better their countries, the Envoy/Representative's office usually tracked and recorded such funding up to the reconstruction and development investment phase, regardless of OCHA's CAP and FTS framework, and pointed out gaps in commitments against the actual requirements of the affected populations and countries.

119. It may be argued that such conferences are often convened at the initiative of particular donors having geopolitical concerns in the affected countries, and with little in the way of evidence-based needs assessments. Since such conferences often deal with reconstruction, their scope is far greater than that of Consolidated Appeals for emergencies. Thanks to reliance on GHD principles and the use of an expanded common appeal concept drawing on CAP and NATF needs assessment guidelines, the funding coverage for the appeals for the four drought-affected countries in the Horn of Africa was as high as 75 per cent of the $2.4 billion requirement as of 2 December 2011.[67]

120. Even if it is found more appropriate to leave the ownership of the organization of conferences to donors, the United Nations should advocate that the conferences uphold appropriate needs assessment criteria and procedures to provide assistance in compliance with the principles of impartiality, neutrality, independence and humanity.

121. The implementation of the following recommendation is expected to enhance the effectiveness of humanitarian fundraising by ad hoc international aid conferences

Recommendation 4

The Secretary-General, with the support of OCHA and UNDP and in association with the International financial institutions (IFIs), should develop guidelines for convening and organizing relief and reconstruction conferences to ensure that funds are committed to emergency-stricken countries, including to under-funded and/or neglected humanitarian crises, in compliance with the principles of impartiality, neutrality, independence and humanity.

[67] OCHA, Horn of Africa Crisis Situation Report, No. 25 (2 December 2011), p. 6.

V. Management of humanitarian financing instruments

A. Strategic management framework

122. Most United Nations agencies engaged in humanitarian operations commit and use resources in accordance with their distinctive mandates; varied funding procedures and modalities; vastly different operating procedures; and have a wide disparity in institutional policies and procedures. In the absence of a system-wide measurement framework accounting for total resources requirements and expenditures, a basis for developing fully-fledged results-based management at the system-wide level — as recommended in earlier JIU reports — does not exist.

123. A strategic management framework requires comprehensive data and information on resource requirements and expenditures for its activities, which should be readily available to enable planning, programming, budgeting and evaluation. Indeed, the discontinuation, in 1995, of a reliable inter-agency reporting mechanism, hitherto using the Administrative Committee on Coordination (ACC) Programme Classification tool on programmes and resources in the system, made the existing United Nations statistical tools increasingly inadequate for strategic planning and management of resources.

B. Analysis of major financial instruments

124. The Inspector reviewed portfolios of financial instruments used by the United Nations and other agencies for humanitarian operations. These included humanitarian assistance and related developmental and/or peacekeeping operations which support and enable humanitarian assistance. The review showed a wide diversity of funding mechanisms and tools available both at headquarters and in the field. It reflected various types of disasters that the respective organizations tackle, namely, natural disasters, complex emergency situations and man-made disasters, as well as the stages in which they operate — from disaster prevention, mitigation and reduction, to relief, early recovery, and recovery, reconstruction and development.

125. There are two types of funding instruments for (i) central core capacity to support field activities in response to emergencies; and (ii) emergency relief and recovery assistance dedicated to specific emergencies and disasters. The former includes common humanitarian support services and advance financing mechanisms such as CERF and any other emergency financing reserves. The latter includes project- or programme-based activities, either based on traditional funds-in-trust arrangements managed by United Nations agencies headquarters, or on MDTFs and/or pooled/common funds managed in the field.

126. Several United Nations agencies use internal advance financing mechanisms[68] or funds which are resourced at headquarters level when emergencies or crises occur; these are instruments of first resort, available to country teams at short notice, often within a few hours of their request. They have different names depending on agency: FAO has the Special Fund for Emergency Relief Activities (SFERA); ILO has the Rapid Action Fund (RAF); UNICEF has an internal reserve, the Emergency Programme Fund (EPF), which is a loan mechanism that responds to emergencies. It

[68] See Annex VI for more details on these advance financing mechanisms.

is the fastest and most reliable source of emergency funds in the organization, as it is capable of disbursement within 24 hours. This mechanism plays an important complementary role to CERF. WFP had (until recently) three advance financing mechanisms: the Immediate Response Account; a Working Capital Fund (WCF) Facility which includes a Forward Purchase Facility and a Direct Support Cost Advance Facility (DSCAF). The Executive Board decided to merge the DSCAF into the WCF Facility in 2010.[69]

127. Most agencies present a financial update to their respective finance or budget and planning committees either annually or two to three times a year. The Inspector noted that agencies plan for these funds to be used in a short-window approach of two to three months. Many of the funds used by agencies are relatively small in size; if the agencies lack in-house liquidity, they resort to the loan component of CERF.

128. Apart from these reserves, agencies mobilize funds out of their core or non-core budget to meet emergency needs. Agencies seek funding through their own appeal processes to donors or by participating in the CAP/Flash Appeal process. If they fail to obtain adequate and timely funding from donors through these processes, or if these sources are exhausted, they resort to the CERF grant window. UNICEF's EPF allows for rapid response at the onset of an emergency. The CERF disbursement allows the response to continue and scale-up prior to the receipt of other major donor assistance. The two funds are complementary in terms of scope: CERF provides early support to life-saving interventions, while the internal reserve provides immediate start-up funding and supports a wide range of interventions for children that might not traditionally fall within the mandate of CERF (e.g., preparedness).

1. Central Emergency Response Fund (CERF)

129. In December 2005, General Assembly resolution 60/124 upgraded the Central Emergency Revolving Fund into the Central Emergency Response Fund (CERF), with the aim of ensuring "a more predictable and timely response to humanitarian emergencies, with the objectives of promoting early action and response to reduce loss of life, enhancing response to time-critical requirements and strengthening core elements of humanitarian response in underfunded crises, based on demonstrable needs and on priorities identified in consultation with the affected State as appropriate."[70]

(a) Grant window

130. The CERF grant component has two windows: (i) a rapid-response (RR) window representing the two-thirds of the Fund to be used to respond to humanitarian, life-saving needs due to sudden-onset emergencies, time-critical crises or rapid deterioration of existing crises; and (ii) an underfunded emergencies window (UFE) representing one third of the Fund.[71]

131. The annual target of the CERF is set at $450 million.[72] However, CERF's total income has fluctuated beyond and below that target since its inception.[73] In 2008,

[69] Fourth Update of the World Food Programme Management Plan, 2010-2011. January, 2011 (WFP/EB.1/2011/5-A/1).

[70] See A/RES/60/124, para. 15, p. 4.

[71] The Secretary-General's Bulletin ST/SGB/2010/5.

[72] Ibid., para. 1.3.

CERF provided funding to 55 countries, with the largest flows going to Afghanistan, Democratic Republic of the Congo, Ethiopia, Haiti, Kenya, Myanmar, Nepal, Pakistan, Sri Lanka and Sudan. In 2009, CERF funds served 51 countries, with the largest flows going to the Democratic People's Republic of Korea, Democratic Republic of the Congo, Ethiopia, Kenya, Niger, Philippines, Somalia, Sri Lanka, Sudan and Zimbabwe. More recently, in 2010, CERF provided funding to 46 countries, with the largest aid flows to Chad, Democratic Republic of the Congo, Ethiopia, Haiti, Kenya, Niger, Pakistan, Sri Lanka, Sudan and Yemen.

132. Some representatives of implementing organizations of the CERF, who were interviewed, explained that decisions taken by the Secretary-General on the allocation of CERF funds in response to the Pakistan floods and the Chile earthquake were not rigorous enough compared to other cases. Reportedly, the allocations made to some Central American countries that experienced tropical storms and flooding and to Niger's drought crisis were subjected to a technical review and budgetary scrutiny in order to ensure that the project proposals indeed adhered to CERF Budgetary Guidelines.

133. While "life-saving" is a central concept of humanitarian operations, the absence of an operational definition of humanitarian assistance or humanitarian operations has resulted in duplication of work among agencies. The OCHA Secretariat did not specify any objective criteria of basic humanitarian needs other than those based on NATF indicators. However, those indicators are still at the experimental stage. Without such criteria developed on the ground, the risk of taking arbitrary decisions increases and certain disaster-affected countries may be favoured over others. Some of the funded projects were medium- to long-term in nature, for example, FAO cash for work or WFP food for work. The United Nations Secretariat did not attempt to set a rigorous concept of humanitarian assistance. According to the CERF Secretariat, decisions have been "contextual", based on compassionate grounds in specific circumstances.

Financing common services

134. The Inspector noted that CERF could provide timely funding of common support services necessary to implement life-saving activities or to improve access to affected populations; however there did not seem to be any coherent criteria by which to allocate CERF resources for the deployment of humanitarian common support services, except on the basis of the context of a specific emergency response. Whereas support services are an essential part of OCHA's mandate. Indeed, different criteria are used for financing different types of common services (e.g., logistics, common security measures, emergency telecommunications, aviation, coordination, multi-agency assessments).[74]

[73] The utilization of CERF fluctuated annually, from $ 429 million in 2008 to $ 473 million in 2010.

[74] See OCHA, *Central Emergency Response Fund Life-Saving Criteria, CERF Funding for Emergency Information and Communications Technology Equipment and Services, and CERF Funding for UN Humanitarian Air Service*.

Timeliness of funding

135. The fact that CERF does not provide funds directly to NGOs has been an issue of concern, particularly due to the long lead time required for NGOs to obtain funds from CERF implementing agencies. The CERF Secretariat advertises that it takes a maximum of three days for a project to be approved, once the final project proposal is submitted. In fact, the average time for projects to be approved by the ERC after receipt of the final project proposal was reportedly reduced from 2.7 to 2.4 working days for the rapid-response window, and from 5.4 to 4.4 days for the underfunded emergencies window, between 1 July 2010 and 30 June 2011.[75] However, the in-country pre-submission phase during which proposals are prepared, as well as internal disbursement mechanisms within agencies can vary significantly by country and by agency. For instance, in the case of the Pan American Health Organization (PAHO), which is not authorized to sign Letters of Understanding with CERF directly, but which must go through WHO, delays occur from the moment projects are submitted by the PAHO/WHO Country Office to the United Nations Coordinator Country Office in the affected country to the moment PAHO receives the notification from WHO that allows them to establish the allotment.[76]

136. In its recent review of the CERF function, FAO stated that the average real lead time required was 35 days after the first submission of a UNCT/HCT proposal to the ERC for the rapid-response window, and 51 days after the first submission for the underfunded emergencies window.[77] Furthermore, an independent review of the value added of CERF in Chad reported that while "the time between the final submission of the CERF grant request package from the RC/HC and the signature of the ERC was three days for RR grants in May 2009," the "most disturbing fact [was] the time it took from the date of the initial submission to the date of the final submission which was between 38 to 45 days."[78] The Inspector was also informed that some of the Health and Water, Sanitation and Hygiene (WASH) projects proposed by UNICEF and WHO early in 2011 for Darfur, Sudan, were approved after more than 50 days after the first submission of the project proposals. Nevertheless the ERC was not in a position to track the steps taken at the pre-submission stage at country level.

137. The table provided below by the CERF Secretariat outlines the average number of days it takes for the handling of CERF proposals submitted to both the underfunded emergencies (UFE) and rapid-response (RR) windows of the grant element. The "first official submission to final submission" period denotes the number of working days between the first submission of a proposal and the receipt of a revised version ready for approval. The "final submission to USG approval" period denotes the number of working days between receipt of an acceptable proposal addressing the concerns of the CERF Secretariat and its approval by the ERC. The remaining two columns describe steps in the disbursement process following formal approval of the project. It should be noted that this table does not include the preparation and discussion of draft proposals at the country level,

[75] See A/66/357, p. 9.

[76] For example, PAHO submitted a project proposal to the CERF in response to the earthquake in Chile on March 11, 2010; and PAHO received the authorization to open the allotment on 16 April 2010.

[77] FAO, *Evaluation of FAO Interventions Funded by the CERF*, October 2010, p. 37.

[78] See John Watt, *Review of the value added of CERF in Chad*, 28th November-4th December 2010, p. 4.

referred to as the "pre-submission stage" by the CERF Secretariat, which can be significantly longer than the examples above have shown.

CERF Timeliness: January 2008 to December 2011

Window	*From first official submission to final submission of proposal to the CERF Secretariat*	*From final submission to USG approval*	*From USG approval to LOU signed*	*From LOU signed to date disbursed*	*Total days*
UFE	14.0	5.1	5.2	5.4	29.6
RR	7.1	2.7	4.9	5.0	19.7

Source: CERF Secretariat.

138. **In the opinion of the Inspector, the ERC should set guidance on an acceptable lead time and deadline for the approval of project proposals and the disbursement of funds before and after receipt of the first official submission, and constantly monitor meeting the deadline.**

(b) Loan window

139. The CERF loan window continues to show a decline in utilization since the introduction of the CERF grant window. The United Nations Board of Auditors (BoA) identified only six organizations or entities that had either advances in the 2008-2009 biennium or had outstanding loans as of 1 January 2008.[79] Total new loans made during the biennium amounted to $32.6 million and concerned only two entities: $30 million to WFP for projects in the Democratic Republic of the Congo and Ethiopia, and the rest to OCHA, a major and virtually the only customary user of the window, which borrowed on six occasions for field coordination in various locations, but not for activities at Headquarters. CERF statements indicate that as of December 2010, the CERF loan window had a low level of outstanding loans.

140. Discussions with the CERF Secretariat also revealed that the use of the loan window has been exceedingly low or almost non-existent. In 2011, the loan fund balance was a little over $76 million[80] (including $49.5 million in voluntary contributions and accrued interest).

141. The Inspector found that many agencies have built up their own reserves and internal loan mechanisms which are available at the agency level as instruments of first resort. WFP decided not to apply for financing from the CERF loan window due to its increased availability of reserves, such as the Immediate Response Account Funds and the Working Capital Financing Facility, which have resulted in the declining value added of this loan window facility to WFP, as well as obviating the transaction costs for funding and reimbursement procedures involved. Although UNICEF has its own loan mechanism, EPF (see above), in 2011 it used the CERF loan mechanism for the Horn of Africa response to kick-start a large scale-up of operations in Somalia. In the Inspector's view, these agency-specific mechanisms constitute good practices and could be replicated throughout the system.

[79] A/65/5, appendix A.

[80] Channel Research, *5-Year Evaluation of the Central Emergency Response Fund — Synthesis Report: Final Draft*, 25 July 2011, p 32.

142. OCHA has no internal cash liquidity facility. The Secretary-General's bulletin ST/SGB/2010/5 states that OCHA itself shall not be eligible for grants from the CERF grant element. OCHA continue to rely on advances from the loan window to finance the transaction costs involved in humanitarian coordination.

143. The CERF Five-year Evaluation[81] recommended that the CERF loan component be reduced to $30 million, and the balance transferred to the grant window.[82] The recommendation was accepted.[83] The General Assembly, in its resolution 66/119, decided to reduce the size of the loan element of the Fund to $30 million and requested that "the balance of any funds, including interest earned, above 30 million dollars be placed in the grant element of the Fund and used for that purpose". It also "authorize[d], in exceptional circumstances and on a time-bound basis, the Emergency Relief Coordinator and relevant operational agencies under the leadership of the Coordinator to utilize the loan element of the Central Emergency Response Fund to enhance, within their respective mandates, rapid response coordination where insufficient capacity exists at the field level."[84]

144. **The Inspector is of the view that the need for the CERF loan facility should constantly be kept under review, taking into account the humanitarian agencies' internal capacities for advance financing.**

145. The implementation of the following recommendation is expected to enhance controls and compliance in humanitarian response.

Recommendation 5

The Secretary-General should request the Emergency Relief Coordinator to task the IASC with establishing system-wide general guidelines on the establishment, replenishment and provision of agency-specific emergency and recovery funds and reserves so as to enable the humanitarian and other assistance organizations concerned to extend quick and timely assistance, and bridge the gap between the commitment and mobilization of the funds required.

2. Complementarity of CERF with other humanitarian pooled funds

146. Although reference is made in the CERF guidelines to the complementarity of CERF with other humanitarian pooled funds, the CERF Secretariat is yet to establish detailed guidelines on the institutional linkages between CERF, CHF and ERF in the field.

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[81] Ibid., p 106. See recommendation 12.

[82] Independent reviews of the value added of CERF in Chad, Mauritania and Sri Lanka had recommended that the CERF's loan facility be closed. See for example John Watt, *Review of the value added of CERF in Mauritania*, 11th-16th December 2010, p. 12, http://ochaonline.un.org/cerf/WhatistheCERF/EvaluationsandReviews/tabid/5340/language/en-US/Default.aspx.

[83] See A/66/357, para. 64. p. 17.

[84] See A/RES/66/119 of 15 December 2011, paras. 25-26.

3. Multi-Donor Trust Funds

147. ERFs and CHFs are pooled funds to which multiple donors contribute in the field. ERFs are managed and administered by the OCHA country office on behalf of the HC — the custodian of the ERF. They are administered by OCHA Geneva. Unlike the CERF,[85] which does not provide money directly to NGOs, ERFs are available to both United Nations agencies and NGOs.[86] Project ceilings vary between $100,000 and $750,000 depending on the fund and on the emergency.[87]

148. CHFs are also pooled funds established at the country level. They are managed by the HCs acting as programme managers of the funds, but are administered by UNDP, with the exception of Somalia, where OCHA performs the function of managing agent.[88] CHFs cover activities in line with CAP in the country where they operate, including early recovery activities. CHFs are available to United Nations agencies and NGOs that have taken part in CAPs. However, unlike the ERFs, with CHFs, NGO implementing partners do not conclude contracts with OCHA, but with UNDP, acting as managing agent, which disburses funds to them (except in Somalia). This has created: (i) time lag between the allocation of the budget by OCHA and the distribution of the funds by UNDP; and (ii) dual reporting lines of NGO partners vis-à-vis the programme manager and the managing agent.

149. Since 2006, donor support to CHFs in Sudan and the Democratic Republic of the Congo alone has been over US$1.5 billion. Funding has been allocated to both NGOs and United Nations agencies, with NGOs now receiving 40 per cent of the allocations. OCHA reports state that the Democratic Republic of the Congo and Sudan CHFs attract more than $100 million each, from donors annually.

150. These pooled funds have provided more adequate funding in the field, and have attracted contributions from a broader base of donors, notably from non-DAC donors. But a number of improvements are still required to support an effective humanitarian response, including more timely disbursements of funds to NGOs; the financing of transaction costs, which have been transferred from donors to clusters; the financing of coordination and support functions regarding the management of the country-based pooled funds; greater coordination between the different financing mechanisms; resolving conflicts of interest of the cluster lead agencies; enhanced monitoring of projects and greater financing of preparedness and early recovery activities.

151. Current CERF and CHF guidelines recommend that where CHFs and ERFs exist, the prioritization and consultation structures in place for CHFs and ERFs should be used to facilitate CERF allocation discussions as appropriate and relevant.

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[85] According to the Secretary-General's bulletin ST/SGB/2010/5, only the "United Nations, its funds, programmes and specialized agencies, as well as the International Organization for Migration, shall be eligible to apply for funds (see section 2, p. 2). The fact that the CERF does not provide funds directly to NGOs has been an issue of concern, particularly due to the long time required for NGOs to get funds from CERF's implementing agencies.

[86] See for detail, the draft ERF guidelines of 23 March 2011, p. 5 and GHA ERFs profile, July 2011.

[87] In Haiti, project ceilings varied from $130,000 following the 2008 hurricanes, $750,000 for the earthquakes to $500,000 for cholera. See the ERRF Haiti evaluation, p. 9.

[88] UNDP plays three roles regarding CHFs: Administrative Agent (AA) exercised by the Multi-Partner Trust Fund Office (MPTF) of UNDP, and Managing Agent (MA) exercised by the UNDP country office, and participating organization when receiving funds from the CHF.

4. Towards reform

152. Strategic planning and funding at the country level have been much facilitated through MDTF financing. But at that level, there are various multi-donor funding mechanisms addressing different objectives, from relief to recovery, development and reconstruction, thus resulting in unequal and duplicated allocation of resources among sectors. The existence of different MDTF and pooled fund mechanisms in a country is in itself a problem. In Haiti, Sudan, and elsewhere, apart from the United Nations MDTFs administered by the UNDP-based MPTF office, there are MDTFs administered by the World Bank, as well as peace and stabilization funds managed by DPA.

153. **In this respect, the Inspector reiterates that the organizations managing these MDTFs should ensure coherent and effective funding and use of these funds in a coherent and coordinated manner. They should draw on the NATF holistic needs assessment and appeal processes to meet the entire humanitarian financing needs both through CAP and non-CAP appeals at the country level, as currently practiced in the Horn of Africa, and develop a common financial reporting and monitoring mechanism. Such a mechanism would greatly increase ownership by the affected countries of the financing process, and accountability by the multilateral custodial agencies for the use of the funds raised.**

154. **The Inspector furthermore reiterates the need for integrated strategic planning frameworks to serve as a basis for all United Nations system organizations to provide the affected countries with integrated operational humanitarian assistance throughout the transition period. This should also eventually lead to the establishment of a consolidated account of the resources mobilized at the country level.**

C. Insurance schemes

155. It appears that humanitarian/emergency-related organizations are now more inclined to take into account the local capacity of disaster-affected countries in determining the magnitude of their financial assistance. After the Indian Ocean tsunami, a few countries like India and the Philippines introduced insurance schemes against natural disasters. China is also studying this, following its experience with the Sichuan earthquake, with the assistance of WFP. PAHO and the IDB remain interested in developing national insurance schemes, but see a big challenge to secure the necessary culture and consensus in respective countries to foresee risks and meet the costs involved.

156. The Inspector was informed that the International Fund for Agricultural Development (IFAD) and WFP were developing weather-indexed insurance schemes for poor rural smallholders through their Weather Risk Management Facility (WRMF). In 2007, WFP was given approximately $2 million by the Bill and Melinda Gates Foundation to undertake pilot projects in a few countries, such as China and Ethiopia. The projects resulted in the publication of a study on "Potential for scale and sustainability in weather index insurance for agriculture and rural

livelihoods".[89] FAO, which focuses on policy formulation and regulation, has not been able to undertake extensive research designed to serve intergovernmental initiatives due to financial difficulty. The Global Platform for Disaster Risk Reduction is also addressing the issue in cooperation with international private insurance companies.

157. The implementation of the following recommendation is expected to enhance the effectiveness of humanitarian action.

Recommendation 6

The General Assembly, on the basis of a report by the Secretary-General, should adopt a capacity-building policy to assist disaster-affected countries in developing national disaster insurance schemes, taking into account pioneering work initiated by the IDB, IFAD, PAHO, UNDP, WFP and WHO.

D. Financing common humanitarian support services

158. In 2011, CAP and Flash Appeals raised $390.3 million to fund activities in the coordination and support services sector of CAP participating organizations,[90] up from $31.9 million raised in 2000. Global funding for this sector, inclusive of relevant bilateral aid and all other reported humanitarian funding, also grew from $58.2 million in 2000 to $984.7 million in 2011.[91] This represents an increase in the percentage of funding for this sector from 2.9 to 7.5 per cent of global humanitarian contributions. This sector's share in total CAP funding grew from 5.8 to 6.2 per cent over the decade. However, the CAP contribution as a percentage in global funding for this sector declined from 54.8 to 39.5 per cent, despite the sustained growth in global funding of the demands of this sector.

159. The management of global resources depends on the capacity of the central services that the United Nations can make accessible to its partners. These services include common services, such as transport and logistics, media and information, telecommunications and information technology resources, resource mobilization, security, premises, storage, mapping, banking and procurement. Although OCHA is not always responsible for the provision of many of these services, it is mandated by General Assembly resolution 46/182 to take the initiative for coordination and cooperation among humanitarian organizations to mobilize and ensure such services are available within and outside the United Nations system.

160. The series of principles and the framework to strengthen humanitarian emergency assistance of the United Nations annexed to General Assembly resolution

[89] Issued by IFAD and WFP, Rome, 2010, available at http://www.ifad.org/ruralfinance/wrmf/index.htm.

[90] For definition of statistical coverage of "coordination and support services" in the CAP process, see an IASC Document on Consolidated Appeals, "Which projects go into which sectors" viewed on 30 April 2012 in http://www.unocha.org/cap/resources/policy-guidance.

[91] FTS as of 25 April 2012, in http://fts.unocha.org/pageloader.aspx?page=emerg-globalOverview&Year=2011.

46/182 mandate the Secretary-General and the ERC to make appropriate arrangements with interested governments and intergovernmental and non-governmental organizations to enable humanitarian workers to have expeditious access to their emergency relief capacities, including food reserves, emergency stockpiles and personnel, as well as logistical support.[92] The United Nations also established a central register of such capacities. Furthermore, the General Assembly, in its resolution 45/221, requested the Secretary-General to establish special warehouses, as needed, in order to permit the ERC to respond to the immediate requirements of countries exposed to disasters. It is worth noting that under the Tampere Convention on the Provision of Telecommunication Resources for Disaster Mitigation and Relief Operations, the ERC assumes the task of the operational coordinator of the Convention as defined in its provisions.[93] The Secretary-General's bulletin on the Organization of the Office for the Coordination of Humanitarian Affairs (ST/SGB/1999/8) spells out the statutory mandate of the ERC to perform such functions, inter alia, promote the mobilization of international support for the United Nations system's humanitarian activities and mobilization of resources for emergency relief programmes including a coordinated approach to the optimal use of telecommunications with and in the field.

161. This intergovernmental mandate of the ERC has never been modified. Even if a central focal point function is performed by any humanitarian cluster and the leadership of a support service cluster is placed under any entity within the United Nations system, it represents delegated authority by the ERC to the cluster and the entity concerned who are ultimately accountable to the ERC.

162. Many lessons were drawn from the Indian Ocean tsunami. Humanitarian actors experienced serious delays in the recruitment of personnel, and lack of accurate information on the ground and bottlenecks and duplications in logistics complicated relief efforts. In that light, a series of proposals were advanced to strengthen a proactive approach for IASC to accelerate the development of common services, such as the Humanitarian Common Services matrix approach, and apply PAHO's Humanitarian Supply Management System (SUMA) world-wide, as well as undertake an awareness campaign on their relevance to all humanitarian actors. However, these attempts did not materialize.

163. A comprehensive review of humanitarian common services that was initiated following the Humanitarian Review in 2005 remains incomplete. IASC is yet to scrutinize its approach on how to cover all the issues of inter-operability and interaction among common services available in other United Nations entities such as UNDG and DPKO in the context of the UNDAF processes and the United Nations Integrated Missions, as well as governments and NGOs such as the Red Cross.

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[92] See annex, paras. 27, 28 and 35 (f) to GA/RES/46/182.

[93] The Convention entered into force on 8 January 2005. Its provides for the provision of telecommunication resources for disaster mitigation and relief operations and country specific applications; standard procedures; removal of regulatory, licensing and customs barriers regarding the transfer and use of telecommunications equipment; safeguarding the rights and immunities of foreign telecommunications personnel; guidelines; action plans and model agreements.

164. In 2004, based on the work of its Humanitarian Common Services Group and Workshop, IASC[94] established the humanitarian common service and defined it as "a support function to facilitate the efforts of IASC organizations and the larger humanitarian community, administered by one or more organizations and authorized by an established inter-agency process, and in each specific situation requested by the HC/Country Team." At that time, IASC identified the following humanitarian common services in its matrix: United Nations Humanitarian Air Service (UNHAS), United Nations Joint Logistics Centre (JLC), Humanitarian Information Centres (HIC), Humanitarian Civil-Military Coordination (UN-CMCoord) and IAET.[95] No headway was made with regard to the launch of an agreed work plan to ensure inter-operability and interaction among common services in this area.

165. In December 2010, IASC formalized the leadership of the Emergency Telecommunications Cluster (ETC) under WFP at the global level, understanding that the cluster lead at the field level would lie with the organizations with the greatest capacity and resources to fulfil the role.[96] Under the current humanitarian cluster approach, WFP acts as global cluster lead agency to deal specifically with two major common services, namely, logistics, and emergency telecommunications. UNHAS is not a cluster, but a common support service established by the High-Level Committee on Management (HLCM), managed by WFP and coordinated by the HCs.

166. There are no other dedicated common services clusters or sectors at the global level; humanitarian common services are provided under each cluster. It is understood that the ERC and the HC ensure that these services are provided with the necessary tools for effective cross-sector collaboration, particularly in the areas of information management, inter-agency needs assessments, development of the CHAP, preparation of the CAP and Flash Appeals processes and contingency planning.[97] At the country level, clusters, sectors and groups deal with all the key sectors or areas of humanitarian activity and are accountable to the HC.

167. While the HC and the ERC are responsible for ensuring that common services are provided, cluster leads or sector leads are responsible for identifying critical gaps in humanitarian response and for calling on all relevant humanitarian partners to address them. Depending on the urgency, the sector lead may be required to commit to filling the gap as the "provider of last resort." This responsibility extends over both operational and common support and coordination activities.

168. There are a number of system-wide issues still to be resolved:

(a) Inter-agency consensus needs to be established on how to identify and share best practices in this field, define respective responsibilities among agencies and OCHA in sharing and disseminating information on common services to humanitarian actors and partners and ensure one-stop services.

(b) The suppliers of common support services are diverse and operate under different institutions. If such services consist of military assets such as aircraft in

[94] IASC Working Group, 59th Meeting (22-23 November 2004), *Final Summary Records and Action Points*, 22 December 2004, p. 2.

[95] Inter-Agency Emergency Telecommunications (IAET).

[96] *IASC Principals Meeting*, PR/1102/3652/7, Action Point 11, February 2012.

[97] IASC Guidance Note On Using The Cluster Approach to Strengthen Humanitarian Response 24 November 2006, p. 11.

cases of large-scale disasters (e.g. the Indian Ocean tsunami), as well as a stand-by force or a training facility under the HopeFor initiative, the ERC is directly responsible for mobilizing and accepting humanitarian support services from governments and NGOs. Overall provision of military and civil emergency telecommunications services, made available by governments and NGOs, and hitherto coordinated by OCHA, is no longer under any entity's clear responsibility for humanitarian coordination. There is a need to clarify the respective responsibilities of suppliers and users of the services, as well as the coordinating functions of OCHA.

(c) How and by whom should the provision of funds be ensured for the services? How could organizations better meet cluster coordination costs in unforeseeable and/or foreseeable emergencies (countries in protracted emergencies and disaster-prone countries)? Should funding be organized individually to cover each service, or integrally to cover all services? How does the funding ensure scalability to meet surge requirements?

(d) Research should be conducted on how common services and support functions (e.g. security, coordination, logistics, telecommunications, etc.) could be better financed on a secure basis to strengthen humanitarian response, and enhance the capacity of cluster/sector leads to respond in a timely and effective manner to emergencies. Whether and to what extent the cluster-lead agency should bear financial responsibility in acting as "provider of last resort" should also be reviewed.

VI. Reporting, monitoring and evaluation

A. Financial reporting, monitoring and tracking

169. The Inspector found that the current financial tools available to the United Nations system were not adequate for strategic planning and management, despite the introduction of considerable information processing technology. The ACC — predecessor to the CEB — had a comprehensive classification of programmes and resources in the 1990s,[98] which was discontinued. **In the view of the Inspector, this decision was regrettable and should be revisited.** The statistical data on operational activities submitted every year to the Economic and Social Council and the General Assembly are incomplete in their coverage of humanitarian assistance, lacking data on IDPs and refugees as well as on non-developmental activities.

170. The JIU portfolio review found that most United Nations system organizations engaged in humanitarian operations have distinctive mandates, varied funding procedures and modalities, vastly different operating procedures, and a wide disparity in institutional policies and procedures. The reporting and monitoring practices of financing instruments present a mixed picture of accountability among United Nations agencies. Good examples are set by agencies like FAO, UNICEF, UNHCR and WFP which provide detailed reports on budgets, planning tools and reporting of financing instruments and the humanitarian sector as a whole. These reports are produced annually at headquarters and the corporate level. WFP provides detailed Standard Project Reports to donors on all its humanitarian operations in the field. These reports are formulated and shared as both interim and final programme

[98] See E/1991/42/Add.1, E/1993/84 and E/1995/64.

reports with donors, whereas with some other agencies, reporting and monitoring of financing remain somewhat elusive.

171. While OCHA's Financial Tracking Service (FTS) has reached a stage of sophistication since 2005, the exact use of funds raised through CAP and Flash Appeals by participating agencies is neither accurate nor known. The United Nations considers that the joint OCHA/UNDP unit in the field, like in the Democratic Republic of the Congo, could make such information available to allow a better monitoring and reporting framework. Funds committed through the Flash Appeal for the Indian Ocean tsunami amounted to some $6.3 billion, of which only $1.2 billion was for emergency relief, with the remainder for early recovery and reconstruction. In both respects, disbursement was slow. The use of the bulk of the post-recovery funds remains finally unsubstantiated and unaccounted for as UNDP's Donor Assistance Database (DAD)[99] — established in 2006 to handle commitments for the Tsunami efforts — remains incomplete and discontinuous, due to financial reasons. Its usefulness was nonetheless confirmed to the Inspector by a senior officer of the Asian Development Bank (ADB).

172. Both OCHA and UNDP maintain separate databases for CHFs. The database housed in UNDP's MDTF Gateway does not provide details on individual allocations of CHFs, and OCHA is not always informed of the exact status of the use of funds allocated to individual projects.[100]

173. The implementation of the following recommendation is expected to harmonize and improve the quality of reporting, and thus enhance the coordination and accountability of humanitarian financing mechanisms.

Recommendation 7

The Secretary-General, as Chair of the CEB, and with the assistance of OCHA and UNDG, should promote the development of harmonized humanitarian portfolio databases applicable at the country level, so as to bridge information from UNDP and OCHA, as well as the international finance institutions (IFIs) and multilateral development organizations.

174. The CHF evaluation[101] suggested the establishment of a joint unit to manage the CHF for each country. This would allow the fund management unit to have an ongoing overview of the status of the use of funds allocated. The introduction of a monitoring and reporting framework would also contribute to this objective.

[99] A tool for governments to monitor assistance flows and to maintain a better coordination basis for planning and direction. It is believed that DAD is a suitable tool for strengthening the capacity of relevant national oversight authorities of affected countries in addition to mechanisms put into place by the countries themselves. See A/61/699, para. 31.

[100] John Cosgrave "Evaluation of The Common Humanitarian Fund Country Report: Sudan", OCHA, 20 March 2011, p. 17.

[101] Channel Research, *Evaluation of the Common Humanitarian Fund Synthesis Report*, 21 March 2011.

175. In the case of OCHA, reporting on CERF to the ERC, donors and agencies concerned has been carried out in a systematic manner. However, annual monitoring reports on activities funded by individual instruments at the field level, especially in the case of country pooled funding mechanisms like the Sudan CHF, are not easy to obtain and are absent in their entirety at field or headquarters level. Information on tracking disbursements and expenditures at the agency, project or corporate levels is also not easy to locate. One of the major challenges faced in the humanitarian sector is the inability of the players to track and monitor aid flows and expenditures as a whole.

176. The following recommendation is expected to enhance the coordination and accountability of humanitarian financing mechanisms.

Recommendation 8

The Secretary-General, as Chair of the CEB, and with the assistance of OCHA, UNDP and UNDG, should support, where feasible, the establishment of joint management units at the country level to ensure cost-effective, accountable and systematic management of resources, and harmonize processes, reporting data formats and methodologies on humanitarian and related development projects.

B. Audit and evaluation

177. The BoA and OIOS have the authority to conduct audits on the use and management of pooled funds by OCHA. Project-level auditing of implementing United Nations agencies and IOM is conducted according to the internal and external procedures provided in their respective financial regulations, rules and directives and based on the "single audit" principle. In the case of CHFs, audits of projects implemented by NGOs are conducted according to UNDP rules and procedures, since it is the managing agent for NGOs, except in the case of the Somalia CHF, for which OCHA is the managing agent.

178. In the case of ERFs, projects implemented by NGOs are audited by external auditors, contracted by UNDP on behalf of the OCHA country office. A financial audit is required for the disbursement of the final grant instalment, which in the case of the ERRF for Haiti, corresponds to 20 per cent of the project funds. JIU identified significant delays in the audits of projects implemented in Haiti by NGOs, largely due to OCHA country office's arrangements for the contracting of auditors. The OCHA country office contracted an external audit company to audit only a predefined list of projects that were completed a year prior. The OCHA office in Haiti currently does not have a contract with external auditors to audit NGO projects as soon as the projects are completed.

179. These audit delays led to delays in the final disbursement to NGOs, as well as in the liquidation of obligations and the establishment of the exact balance to be

carried over. The delays were already noted in the OIOS audit report on ERFs,[102] which recommended that OCHA issue a "standard guidance to country offices outlining the minimum requirements and processes for the auditing of ERF grants, including guidance on the mechanisms by which audit firms should be engaged and the terms of reference for the conduct of grant audits."

180. **The Inspector is of the view that OCHA headquarters should implement the above-mentioned OIOS recommendation on the understanding that such guidelines provide for the delegation of authority to the external audit firm, by the BoA and OIOS, in observance of the single audit principle, and that the contracts that OCHA country offices have with private external auditors are flexible enough to cover any new project implemented by NGOs, in addition to the predefined list of projects to be audited, so that projects could be audited as soon as they are completed.**

181. OCHA and United Nations humanitarian agencies have evaluated a number of aspects of the challenges faced by their financing instruments and modes, such as efficiency of the humanitarian pooled funds; modalities to promote a programme approach for CHFs and CAP and linkages of pooled funds with CERF. The issue of linkages between humanitarian funding and development financing as well as transition financing has also been addressed. However, a systematic review of organic and portfolio linkages of these instruments is yet to be undertaken.

182. Two-year and five-year evaluations of CERF were mandated by the General Assembly. Other external evaluations of CERF were conducted at the request of the CERF Secretariat. Evaluations of ERFs and CHFs are initiated by OCHA in consultation with the HC, donors and the governing bodies of the different funds (advisory boards). Inter-agency real-time evaluations may also assess the role played by the pooled funds during the initial phase of a response. However, to date, no evaluation has been undertaken to assess the pooled funding mechanisms collectively. Moreover, FAO is the only agency that has conducted an independent evaluation of CERF-funded projects.

C. Unspent balances and unliquidated obligations

183. The Inspector found the balances of unobligated and unliquidated obligations reflected in the budgets of several agencies to be unacceptably high. The Inspector reviewed the financial statements presented to the General Assembly over the period 2005-2007. Different agencies tend to regard funds as being expended at different points in time: some agencies consider the fund expended when an obligation is made; other agencies have different standards and procedures with regard to an obligation (some regard the signing of a contract as the obligation; others may consider the decision to sign a contract as an obligation). This means that funds reported as "expended" may not have been actually spent, but may have been committed for a specific activity or purpose.

184. Furthermore, when the managing organization of a funding mechanism transfers funds to an implementing NGO, the indirect process of financial and performance reporting tends to obscure the status of the project and delay the

[102] See OIOS, *Audit Report — OCHA's Management of Emergency Response Funds*, 11 June 2010, pp. 16-17.

liquidation of any obligations raised. Discussions with agencies reflected challenges faced by differing agency reporting periods, disbursement cycles, and monitoring processes. This did not allow oversight bodies to present financial information on expenditures at a given point in time, therefore large balances were often reflected. However, the discussions also revealed that with the introduction of the International Public Sector Accounting Standards (IPSAS), several of the issues pertaining to unliquidated obligations would have to be reported and recorded, which would help ease the above-mentioned situation over a period of time. The introduction of IPSAS would ensure that agencies do not report unliquidated obligations in their expenditures as firm commitments, thus correcting the distortion of the level of actual disbursement.

185. A review of CERF reports provided by United Nations agencies indicates that each member of the UNCT receiving funds from CERF provides information on funding allocations disbursed by CERF and the total annual budget that each agency received. The Inspector notes that apart from UNICEF and WHO, which have completed migration to IPSAS, other eligible agencies follow the traditional pattern of reporting on expenditures of funds, actual funds disbursed and unspent balances. In this regard, the Secretary-General assured the Inspector that information on expenditures of funds, actual funds disbursed by agencies for the activities and unspent balances are reported through the Controller to the ERC, and shared and discussed with the field officers when requested.

186. More specifically, OCHA recorded large unliquidated obligations in its trust funds. Between 2007 and 2010, unliquidated obligations in OCHA's trust funds amounted to the following percentage of their respective total annual income:

Percentage	*Fund*
between 5 and 11 per cent	Trust Fund for the Strengthening of OCHA
between 6 and 15 per cent	Trust Fund for Disaster Relief
between 3 and 250 per cent	Afghanistan Emergency Trust Fund
between 5 and 17 per cent	Trust Fund for Tsunami Disaster Relief

The Inspector noted that the latter has not been used by OCHA since 2008 and should have been closed. However OCHA reported that it was unable to close the account because it is still awaiting expenditure reports and refunds of unused funds from various UNDP country offices.

187. Since its inception, CERF has recorded unliquidated obligations accounting for some 13 to 20 per cent of total annual income. That level is much higher than those of the United Nations General Fund and the General Trust Funds for Human Rights and Humanitarian Affairs, which remain at 7 to 6 per cent and lower than 15 to 10 per cent, respectively, of the annual income. This is due to the inclusion of obligated amounts for projects still within their implementation periods and for which no expenditures are yet due. This is also due to the indirect manner in which OCHA allocates funds to NGOs through its partner organizations. The Sudan CHF has also recorded a sizeable unspent balance at the end of each year, with variations between years that show a particular pattern of fluctuation once every two years,

that needs to be accounted for. The Inspector considers that the imminent implementation of IPSAS across the United Nations system should resolve the bulk of the issue.

188. **The Inspector is of the view that the Secretary-General should direct the ERC to ensure expeditious financial reporting from the organizations concerned, including their implementing partners (NGOs), and speedily liquidate obligations and identify unencumbered and/or unspent balances for further commitment.**

D. Information-sharing and common humanitarian financial database

189. The current multilateral data and information systems remain fragmented. There are three sophisticated major databases which correspond to respective stages of disaster relief and management run by relevant organizations, namely, OCHA's Financial Tracking Service, UNDP's MPTF Office Gateway, maintained since 2010 by the MPTF office and the World Bank Project Database, each of which offers online access to their data, particularly data on their MDTFs or pooled funds. However, these databases are not complementary. Although UNDP's system covers all assistance flows of 36 MDTFs, it does not always give disaggregated data, operational information on projects or related approved administrative guidelines and agreements.

190. The Inspector is of the view that reporting must be harmonized to provide a complete picture of response at the country level. A consensus should also be found as to whom the reporting is to be made. It is necessary to respond both to the public interest as well as to policymakers' concerns. Finally, client access to reporting databases should be improved to support transparency on the results achieved by the contributions concerned.

191. The Inspector was informed that there would be scope for establishing a unified and common database that bridges humanitarian and development activities, building on the experience of DevInfo in the United Nations Development Operations Coordination Office (DOCO) development data gateway. It would be worth exploring whether it can be done under the auspices of a UNDG working mechanism, following the directive of the UNDG Principals to establish a joint database involving the World Bank, in order to "review and restore the ACC programme classification."

192. **The Inspector is of the view that in order to encourage synergy among aid agencies and donors, there should be a common and comprehensive database where they can obtain real and operational information that would serve their policy and planning. Data should be disaggregated by sector/cluster and by stage of disaster management cycle, covering transition from relief to recovery and reconstruction, as well as prevention and mitigation.**

Disposition and evaluation of unliquidated obligations and unspent balances Inter-Agency Emergency Telecommunications (IAET)

193. The Inspector was unable to discern any agreed and standard procedures to monitor and dispose of unliquidated obligations and unspent balances in the accounts of multilateral resources raised through MDTFs and trust funds, which should be under periodic evaluation. These should be developed as a matter of urgency.

Good practice example: Sudan CHF

A key indicator for good financial performance is set at 5 to 7 per cent of unspent balances or unliquidated obligations. The disposition of unspent balances in the CHF is subject to the decision of the HC. This seems to be an innovation. **It is necessary to subject this innovation to evaluation and draw the opinion of the United Nations Controller on whether this part of the CHF terms of reference is compatible with the United Nations financial regulations and rules.**

E. Financial accountability

194. In December 2006, the United Nations Panel of External Auditors (PEA), which audits the United Nations, its specialized agencies and the IAEA, stated in its report[103] that although the response of the United Nations, its funds and programmes, and specialized agencies were generally deemed effective, significant deficiencies were highlighted in the area of inter-agency coordination. The monitoring of financial flows mobilized was not consistent, comprehensive or up-to-date; underlying system-wide disaster preparedness and emergency plans were missing; the transition from relief to recovery presented challenges in the field, which had not been addressed adequately. The report also pointed out mishandling of funds and corruption at the field level.

195. The purpose of this report, the first system-wide audit report undertaken, was threefold:

(a) Reinforce the accountability of the United Nations, its funds, programmes and specialized agencies;

(b) Identify common issues or areas for improvement that would require collective action on the part of these organizations/agencies;

(c) Demonstrate the benefits of a coordinated approach to external oversight within the United Nations context.

196. However, the report is yet to be examined by the executive heads of the United Nations system organizations and replicated for other major humanitarian responses. **In view of its potential contribution to enhancing the financial accountability of the entire United Nations system through system-wide auditing and evaluation, the organizations concerned should submit their views on the implications for the financial accountability of the United Nations system organizations of the recommendations contained in the report to the Secretary-General for synthesis. The General Assembly should discuss the views on the occasion of a humanitarian financing reform in the future.**

[103] Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency, *Observations and recommendations on the intervention of the United Nations, its Funds, Programmes and Specialized Agencies in the aftermath of the Indian Ocean tsunami of 26 December 2004*, P/47/06/1.

Annex

Overview on action to be taken by participating organizations on JIU recommendations

JIU/REP/2012/11

		Intended impact	*Nations**	UNCTAD	UNODC	UNEP	UN-HABITAT	UNHCR	UNRWA	UNDP	UNFPA	UNICEF	WFP	OTHERS	ILO	FAO	UNESCO	ICAO	WHO	UPU	ITU	WMO	IMO	WIPO	UNIDO	UNWTO	IAEA
Report	For action		☒	☐	☐	☐	☒	☒	☒	☒	☒	☒	☒	☐	☐	☒	☒	☐	☒	☐	☐	☐	☐	☐	☐	☐	☐
	For information		☐	☒	☒	☒	☐	☐	☐	☐	☐	☐	☐	☒	☒	☐	☐	☒	☐	☒	☒	☒	☒	☒	☒	☒	☒
Recommendation 1		e	E				E	E	E	E	E	E	E			E	E		E								
Recommendation 2		a	E																								
Recommendation 3		e	L				L	L	L	L	L	L	L			L	L		L								
Recommendation 4		c	E																								
Recommendation 5		a	E				E	E	E	E	E	E	E			E	E		E								
Recommendation 6		b	L																								
Recommendation 7		e	E				E	E		E	E	E	E			E	E		E								
Recommendation 8		e	E				E	E		E	E	E	E			E	E		E								

Legend: **L:** Recommendation for decision by legislative organ
E: Recommendation for action by executive head
▒: Recommendation does not require action by this organization

Intended impact: **a:** enhanced accountability **b:** dissemination of best practices **c:** enhanced coordination and cooperation **d:** enhanced controls and compliance **e:** enhanced effectiveness **f:** significant financial savings **g:** enhanced efficiency **o:** other

* Covers all entities listed in ST/SGB/2002/11 other than UNCTAD, UNODC, UNEP, United Nations-HABITAT, UNHCR, UNRWA.

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United Nations A/67/868

General Assembly

Distr.: General
20 May 2013

Original: English

Sixty-seventh session
Agenda item 14
Integrated and coordinated implementation of and follow-up to the outcomes of the major United Nations conferences and summits in the economic, social and related fields

Letter dated 9 May 2013 from the Permanent Representative of Mongolia to the United Nations addressed to the Secretary-General

I have the honour to attach herewith the text of the Ulaanbaatar Declaration entitled "Community's attainments and global challenges", which was adopted by the Seventh Ministerial Conference of the Community of Democracies, held in Ulaanbaatar on 29 April 2013 (see annex).

I should be grateful if you would have the present letter and the annex thereto circulated as a document of the General Assembly, under agenda item 14.

(*Signed*) Od **Och**
Permanent Representative of Mongolia to the United Nations

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Annex to the letter dated 9 May 2013 from the Permanent Representative of Mongolia to the United Nations addressed to the Secretary-General

Ulaanbaatar Declaration Community's Attainments and Global Challenges

We, the participants in the Seventh Ministerial Conference of the Community of Democracies, held in Ulaanbaatar, Mongolia, on 29 April 2013,

Reaffirming our unwavering commitment and adherence to the purposes and principles of the Warsaw Declaration of 27 June 2000 establishing the Community of Democracies and subsequent ministerial decisions of the Community of Democracies,

Reiterating our obligations under the Charter of the United Nations and our common allegiance to the principles and spirit of the Universal Declaration of Human Rights and, as appropriate, other relevant international instruments,

Reaffirming that democracy, development and respect for all human rights and fundamental freedoms are interdependent and mutually reinforcing,

Reiterating also our conviction that democracy is the best known form of government to promote and protect human rights, fundamental freedoms and the rule of law for all, and to strengthen peace as well as to promote prosperity,

Recognizing that human rights, democracy and the rule of law are strengthened when States work to eliminate discrimination of any kind and strive to ensure the full participation of women on equal terms with men in all spheres of political, social and economic life,

Stressing the importance of ensuring that government is transparent, responsive, effective and accountable to the people, and that everyone tangibly benefits from free and open societies that embrace democratic institutions, respect for the individual, tolerance of diversity, pluralism and the rule of law,

Reaffirming the important role played by individual citizens and civil society in decision-making and policy formulation, and in improving the quality, legitimacy and effectiveness of democracies,

Expressing appreciation for the positive democratic trends in many parts of the world since the Vilnius Ministerial Conference held in 2011, including an increasing number of free and fair elections,

Welcoming the growing respect for democratic values in many parts of the world, including the initial steps taken in Northern Africa and the Middle East as well as the beginnings of political transition in Myanmar,

Noting with concern, however, the decline in the promotion and protection of social and political rights and civil liberties as well as the restrictions placed on individuals and civil society and on the freedoms of expression, association, religion and belief in some countries,

Expressing concern for the democratic development of Mali, which has been seriously threatened by non-democratic forces and terrorist groups, and reiterating

the Community of Democracies' resolve to support the return to a pluralistic and stable democracy governed by the rule of law in Mali through inclusive national dialogue and long-term reconciliation,

Acknowledging the important role of the United Nations as well as regional and non-governmental organizations in democratic development, and other initiatives, past and present, that support and promote democracy and democratic values throughout the world,

Mindful of the role of international cooperation in promoting the goals set forth in the Warsaw Declaration and other international documents and commitments, including the Millennium Development Goals, and convinced that in this field the Community of Democracies can play an important role in such cooperation and exchange of experience as well as through the provision of peer support,

Recalling that equality between men and women and the protection and promotion of women's rights are an integral part of human rights and a fundamental criterion of democracy,

Have adopted the following:

1. *We reaffirm* our resolve to advance democracy in our countries and worldwide, helping bridge the gap between principles and practice and, to that end, to cooperate in an open, inclusive and transparent manner with relevant national and international stakeholders within our respective countries as well as among ourselves and other international stakeholders;

2. *We reaffirm* our continued commitment to the Community of Democracies reform process, initiated under the Lithuanian presidency, and welcome the institutional reforms of the Community of Democracies advanced under Mongolia's presidency, as decided by the Vilnius Ministerial Conference in 2011, including the establishment of the first Governing Council and Executive Committee, the appointment of the Community's first Secretary-General and the institutionalization of its Permanent Secretariat. These basic institutional structures are contributing to the development of the Community of Democracies into a dynamic coalition able to take real action to strengthen democracy and civil society worldwide;

3. *We commend* the concrete actions undertaken by the presidency in promoting education for democracy, and will work together to promote the full and meaningful implementation of the United Nations General Assembly resolution 67/18 on education for democracy, which would contribute to the strengthening of democratic society and institutions, the realization of human rights and the achievement of the Millennium Development Goals. We further commend to the attention of all Community of Democracies member States the action plan contained in the International Steering Committee's Charlottesville Declaration on Creating a Culture of Democracy through Education;

4. *We applaud* the concrete actions taken by the Community's working groups since the Vilnius Ministerial Conference in support of the Community of Democracies' objectives, including:

- Enabling and protecting civil society by coordinating diplomatic action to prevent and address the adoption of laws and regulations that unduly restrict the work of civil society;

- Establishing the Leaders Engaged in New Democracies Network and its Working Group — a digital platform for sharing best practices, peer-to-peer exchanges and information on reform and the rule of law with those leaders guiding democratic transitions;
- Streamlining the activities of the Working Group on Education for Democracy to focus on practical actions, such as organizing international seminars, developing a curriculum framework and establishing a new digital library of democracy education curricula and materials;

5. *We welcome* other activities by the Community, including:

- Organizing the International Women's Leadership Forum in Ulaanbaatar on 7 and 8 July 2012;
- Convening the first informal Asia-Pacific Ministerial Meeting in Ulaanbaatar on 28 April 2013, at which ministers decided to regularly hold such a meeting in the margins of the Ministerial Conferences of the Community of Democracies;
- Launching an Asian network for democracy to consolidate regional civil society activities and strengthening democratic gains in Asia;
- Promoting regional and country-to-country dialogue, cooperation and exchange of experiences in democratic development;
- Continued meetings of the United Nations Democracy Caucus that addressed issues such as democracy education, the rule of law and democracy support;
- Successfully implementing the first round of the Democracy Partnership Challenge task forces for Tunisia and Moldova;
- Initiating the process of applying for observer status in the United Nations General Assembly;
- Recognition of the Parliamentary Forum for Democracy, established under the Lithuanian presidency, as an affiliated body of the Community of Democracies;
- Holding the first meeting of the Group of Friends for Mali of the Community of Democracies in Bamako with the aim of supporting Mali's return to democratic order;
- Establishing an ad hoc group for Myanmar to support that country's transition towards democracy;
- Supporting effective cooperation with civil society to improve the transparency, accountability, legitimacy and performance of democratic Governments;

6. *We also welcome* the concrete and practical outcomes of the forums of the five pillars of the Community of Democracies, namely, the parliamentary, civil society, women's, youth and corporate forums, held in Ulaanbaatar on 27 and 28 April, which addressed the challenges and opportunities in promoting and consolidating democratic reforms, including means of harnessing open governance for democracy, and addressing the issues of more effectively fighting against corruption. These forums also provided an opportunity to share experiences and chart further

cooperative measures, including those related to tackling the issues of open government, transparency, democratic governance and support for emerging democracies. Their input to the Seventh Ministerial Conference is greatly appreciated and lays the basis for further concrete actions of the Community of Democracies in cooperation with its pillars;

7. *We resolve* to further increase and strengthen the activities of the Community of Democracies in support of greater democratic governance in our countries as well as in promoting and protecting democratic values in countries where democracy faces challenges. To this end we:

- Support the activities of the pillars of the Community of Democracies in promoting transparent and accountable democratic governance in addressing, where necessary, the challenges to such governance and promoting human rights and freedom;
- Work together to emphasize human rights, fundamental freedoms and democratic governance as integral parts of inclusive development and the eradication of extreme poverty as the international community works to formulate the post-2015 development framework;
- Provide support to countries undergoing transitions to democracy to facilitate the emergence of democratic societies defined by good governance, and the protection of human rights and fundamental freedoms, as well as respect for the rule of law, as stated in resolution 19/36 of the United Nations Human Rights Council;
- Support and defend an enabling environment for civil society, including through the adoption of legislation that does not put undue restrictions on civil society in all nations;
- Resolve to protect and promote freedom of expression, peaceful assembly and association, religion and belief and provide support to those whose rights are being denied or infringed upon, emphasizing that human rights, including freedom of expression, apply online as well as offline;
- Improve international observations of elections so as to ensure the transparent and genuine expression of the will of the people and, if needed, offer recommendations for improving the integrity and effectiveness of electoral and related processes without interfering in the election processes;
- Support the strengthened role of the Community of Democracies at the United Nations by:
  - Encouraging the United Nations Democracy Caucus to take a leading role in supporting the goals of the Charter of the United Nations, the Universal Declaration of Human Rights and the Community of Democracies Warsaw Declaration in the General Assembly, the Human Rights Council and other relevant United Nations bodies;
  - Supporting the work of the United Nations special mechanisms on issues relating to democracy and human rights, particularly the United Nations special rapporteurs on the rights to freedom of peaceful assembly and of association, on the promotion and protection of the right to freedom of opinion and expression, and on the situation of human rights defenders;

– Developing closer cooperation with the United Nations Development Programme, the United Nations Democracy Fund, other relevant United Nations bodies and the United Nations Alliance of Civilizations;

- Promote the goals of empowering of women and their full participation in all spheres of political, social and economic life as well as fighting gender-based violence;

- Promote further cooperation and coordination of efforts between the Community of Democracies and international and regional organizations, and initiatives such as the Open Government Partnership;

- Redouble our efforts to include civil society views in all aspects of the Community of Democracies, to provide support to the non-governmental International Steering Committee and to support civil society in all countries in the world;

- Explore the benefits of transforming the Community of Democracies into a fully-fledged international organization;

8. *We welcome* the new presidency of El Salvador, and express our commitment to supporting and assisting El Salvador in leading multi-stakeholder efforts to protect, strengthen and advance democracy and democratic values in our countries and beyond;

9. *We congratulate* Mongolia on its outstanding leadership of the Community of Democracies and its efforts to advance democracy and democratic values in the Asia-Pacific region and around the world. We also express words of gratitude to Mongolia for the successful hosting of the Seventh Ministerial Conference of the Community of Democracies in Ulaanbaatar.